

# FINANCIAL TIMES

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### The tilting train rides again

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World Business Newspaper <http://www.ft.com>

THURSDAY OCTOBER 17 1996

## London will lose if UK shuns Emu, directors say

Frankfurt would overtake London as Europe's leading financial centre if Britain stayed outside the European monetary union, European finance directors believe. A survey by a UK property group shows that 60 per cent think Frankfurt would displace the City of London within five years, while most of the European directors believed London would consolidate its position if the UK joined the Emu. Page 14

**Daimler-Benz's board may overhaul the company's structure to cut management layers, give top managers more direct control and increase shareholder value. The reshuffle may lead to an in-house merger with Mercedes-Benz, DM's car and truck unit. Page 14 and Lex**

**UK move after gun tragedy: The British government responded to a report into the massacre at a Scottish primary school by announcing moves to ban all high-powered handguns. One adult and 16 children were killed by a lone gunman in Dunblane in March. Page 9**

**Belgians protest over sex case**

Protest strikes continued in Belgium over a court decision to remove Jean-Marc Connerotte as main investigator in the Dutroux child sex and murder case. The parents of two young victims immediately appealed against Mr Connerotte's removal, but withdrew the request after meeting justice minister Stefaan de Clerck (left). Mr De Clerck said he told the parents that reinstating Mr Connerotte to the case would be impossible. Page 9

**Five sacked at MGA: Morgan Grenfell Asset Management chief executive Keith Percy, three senior colleagues and a compliance officer were sacked for failing to prevent controversial investments by disgraced unit trust manager Peter Young. Page 15**

**Surgery date set: Russian president Boris Yeltsin will undergo his heart operation in mid-November, the Kremlin medical centre said.**

**Time Warner: Popular interest in the Olympics, higher cable TV revenues and a string of hit films boosted Time Warner's cash flow by 35 per cent to a record \$664m in the third quarter. Net losses at the entertainment and media group fell to \$91m, compared with \$144m. Page 20**

**Virgin Atlantic chairman Richard Branson opened a new front in the battle over the planned alliance between British Airways and American Airlines, alleging in Hong Kong that the UK carrier planned to extend the partnership to Japan Air Lines. He said he had asked Britain's competition watchdog to investigate. Page 9; Lex, Page 14**

**Taliban spurn threat: Afghanistan's Islamic Taliban group rejected an ultimatum to abandon the capital or face bloodshed. The threat came from ousted government forces led by Ahmad Shah Massoud. Meanwhile fighting raged to the north of Kabul.**

**Arrests in kidnap case: German police searching for kidnapped multi-millionaire Jakub Fiszmann arrested five people and recovered DM4m (\$2.6m) of ransom. But despite the searches in Frankfurt, Wiesbaden and Mainz, Mr Fiszmann, 40, was still missing six days after the money was paid.**

**Flight leads Nicaragua polls: Campaigning for Sunday's Nicaraguan general election stopped last night with most opinion polls giving Arnaldo Alemán's rightwing Liberal Alliance the edge over ex-president and Sandinista contestant Daniel Ortega. Page 8**

**US blocks trade move on Cuba: Washington refused to agree to the rapid creation of a World Trade Organisation panel. The move had been requested by the European Union to decide if the Helms-Burton law on trade with Cuba fitted global free trade rules.**

**Kodak-Fuji dispute: The World Trade Organisation is to set up a panel to look into a US complaint that Japan rigs its photofilm market to exclude foreign products. Page 4**

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**STOCK MARKET INDICES**

New York headline Dow Jones Ind	5,979.44	(-25.34)
NASDAQ Composite	1,248.74	(-11.30)
Europe and Far East		
DAX	2,158.52	(-9.78)
DAX	2,114.9	(-13.55)
FTSE 100	4,024.4	(-26.4)
Nikkei	21,397.19	(-32.74)

**US LIBOR RATES**

Federal Funds	5.1%
3-mth Treas Bill: Yld	5.155%
Long Bond	5.8%
Yield	5.889%

**OTHER RATES**

UK 3-mth Interbank	5.1%	(5.2%)
UK 10 yr Gil	6.6%	(10.0%)
France: 10 yr OAT	103.41	(104.1)
Germany: 10 yr Bund	101.34	(101.77)
Japan: 10 yr JGB	101.2141	(101.504)

**NORTH SEA OIL (Argus)**

Brent Blend	\$24.625	(24.535)	
Alaska	US\$ 275	Oil 5000 Oms	OR13.00
Australia	S\$ 277	Oil 5000 Oms	SR13
Bahrain	Dh 230	Oil 5000 Oms	SR13
Belgium	Fr 70	Oil 5000 Oms	SR13
Cyprus	C\$ 130	Oil 5000 Oms	SR13
Czech Rep	1070	Oil 5000 Oms	SR13
Denmark	Dk 200	Oil 5000 Oms	SR13
Egypt	E\$ 250	Oil 5000 Oms	SR13
France	Fr 28	Oil 5000 Oms	SR13
Germany	DM 180	Oil 5000 Oms	SR13
Greece	Gr 120	Oil 5000 Oms	SR13
India	Rs 120	Oil 5000 Oms	SR13
Italy	Lira 120	Oil 5000 Oms	SR13
Japan	Y 120	Oil 5000 Oms	SR13
UK	£ 120	Oil 5000 Oms	SR13
USA	\$ 120	Oil 5000 Oms	SR13

## Lagardère wins battle for Thomson

### Alcatel loses out in French defence electronics sell-off

By David Buchan and David Owen in Paris

The French government yesterday announced that it was selling Thomson to the Lagardère group rather than to Alcatel Alsthom, in a move which will create Europe's largest defence electronics company.

The government said its choice, which came after months of lobbying by Lagardère and Alcatel, reflected the better industrial strategy proposed by Lagardère. It said the financial terms of the bids were identical.

The privatisation is part of President Jacques Chirac's aim to restructure the French defence industry, and eventually the European industry, around a small number of groups - a strategy that also includes the planned merger between state-owned Aerospatiale and Dassault Aviation.

Lagardère will pay a symbolic FF1 for Thomson. The government will also provide a FF11bn (\$2.16bn) recapitalisation to reduce some of Thomson's FF25bn debt. This operation will have to be approved by the European Commission but it is thought this will be a formality, as its endorsement by the French government's privatisation committee.

### RESTRUCTURING

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■ Sceptical investors offer consolation to Tchiruk

■ Deal gives instant boost to British Aerospace

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French defence minister Charles Millon, finance minister Jean Arthuis and industry minister Franck Borotra respond to the sale

Mr Alain Juppé, the French prime minister, defended the sale against criticism that Thomson was being given away. Mr Juppé said Thomson Matra would be a world beater in defence exports.

Alcatel is understood to be baffled at the government's decision to ignore the opportunity to exploit the synergies between its own huge telecom-

munications business and Thomson's defence arm. Nevertheless, Alcatel's share price rose yesterday to close up 2.4 per cent, reflecting investors' views that the group would be better off concentrating on its core civil business.

Mr Franck Borotra, the French industry minister, said that negotiations would continue to allow Alcatel and the UK's General Electric Com-

pany to merge their GEC-Alsthom power and transport venture with the state-controlled Framatome nuclear engineering company.

However, these talks have aroused some concern that Alcatel is paving the way for foreigners to enter the sensitive area of French nuclear power. This may have counted against Alcatel in its bid for Thomson.

Once it has created Thomson Matra, Lagardère is expected to start negotiations to let European partners take a stake. But the French state will have a golden share to protect French national interests, while Lagardère has committed itself to keeping 60 per cent control.

## Brussels hedges on exceptions to the Emu deficit rule

By Lionel Barber in Brussels and Gillian Tett in London

The European Commission yesterday declined to define the precise level of economic weakness a country must face before it would be allowed to run a large deficit within a single currency zone.

The Commission decision offers a foretaste of difficult negotiations among member states over the terms of the German-backed stability pact for enforcing fiscal discipline in the planned economic and monetary union.

All EU members back the principle of a stability pact, but the majority are shying away from calls by Germany for a highly restrictive interpretation of the "temporary and exceptional circumstances" under which countries could run deficits in excess of the Maastricht target of 3 per cent of GDP.

The sentiment in favour of flexibility surfaced in Brussels yesterday when the 20 European commissioners held their first full debate on how best to enforce currency and budgetary discipline after the launch of the single currency, planned for January 1 1999.

Commissioners supported proposals for heavy fines against countries which failed to control their budget deficits after joining the single currency. But a clear majority spoke against efforts to narrow down "temporary and exceptional circumstances" under which countries could escape sanctions.

As a result, Mr Jacques Santer, president of the European Commission, and Mr Yves-Thibault de Silgny, EU monetary affairs commissioner, were forced to withdraw their proposal to quantify a recession as a drop of 1.5 per cent of gross domestic product.

Mr Santer warned his colleagues that the decision would have to be made by the end of the year.

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## Lebed accused of plotting Russian coup

By John Thornhill in Moscow

The power struggle in the Kremlin intensified last night when Russia's interior minister attacked Mr Alexander Lebed, accusing the national security chief of plotting to seize power in a coup.

Mr Lebed strongly denied the accusations made by Mr Anatoly Chubais, saying the "poor guy has let his tongue run away with him".

Wild allegations have become common in Russian politics as politicians jostle for advantage to succeed the ailing president Boris Yeltsin.

But political observers said the allegations could provide grounds for dismissing Mr Lebed, just three months after he entered the Kremlin.

Mr Victor Chernomyrdin, prime minister, and Mr Anatoly Chubais, head of the presidential administration, will today meet the heads of the "power ministries" to discuss the security situation without Mr Lebed being present.

Mr Chernomyrdin has barely concealed his antagonism towards Mr Lebed, who has won popularity by pursuing peace in Chechnya but irritated the Kremlin with his repeated criticisms.

The former general is nominally responsible for supervising the "power" ministries, which include the military and security services, but he has recently been marginalised in discussions about these issues.

Mr Yeltsin's spokesman said the president was extremely worried by Mr Kullikov's claims and had demanded further details. Russian news agencies said security forces had stepped up patrols in Moscow in anticipation of guerrilla attacks.

In a well-prepared attack, Mr Kullikov said he had documents proving Mr Lebed was planning to form a "legion" of 50,000 men to launch a "creeping coup".

Mr Kullikov, target of frequent attacks by Mr Lebed over his handling of the Chechen conflict, also accused his rival of trying to recruit Chechen terrorists to his cause.

"Lebed has decided to move ahead using force instead of waiting for the next presidential poll," Mr Kullikov said.

Russian television channels, which used to support Mr Lebed, aired interviews with politicians denigrating the former paratroop commander.

Even senior Communist party leaders bitterly opposed to Mr Yeltsin joined in the criticism of Mr Lebed yesterday.

Mr Victor Ilyukhin, chairman of the parliamentary security committee, said parliament should investigate the allegations. "Kullikov is a serious and thoughtful official and he is unlikely to make such a serious statement without any grounds," he said.

Russian news agencies reported that Mr Lebed had asked the president for a two-week holiday. This was later denied by Mr Lebed.

Mr Yeltsin, who will go ahead with a heart bypass operation in mid-November, has a volatile relationship with Mr Lebed.

In June's presidential elections, Mr Yeltsin hinted Mr Lebed would be his successor but he has recently chided the security chief for his inability to work with other ministers.

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# Prodi takes his Emu case to Bonn

By Robert Graham in Rome

The role of Italy in European monetary union will be the central theme of informal talks this evening in Bonn between Mr Romano Prodi, the Italian premier, and Chancellor Helmut Kohl.

Mr Prodi is understood to have sought the meeting to counter negative comments from the German finance ministry and the Bundesbank about Italy's chances of taking part in the first phase of Emu. His centre-left government has staked its prestige and political

future on trying to comply with the criteria for Emu in time to join it from its formation in 1999. German scepticism has become a growing embarrassment to Rome.

The Italian government recognises it cannot expect the Germans to agree to a bending of the rules to admit candidates for Emu, but it wants to stress that Italy should be given a fair hearing and not judged in advance on its past failings.

In particular, he wants to discuss the parity at which the lira is likely to be able to re-enter the European exchange rate mechanism. Italy would like to rejoin the ERM before the end of the year and German support for such a timetable and an acceptable parity is crucial.

# Spanish protests fail to avert pay freeze

By Tom Burns in Madrid

The Spanish government yesterday said it would maintain its public-sector wage freeze next year, after trade union protests about spending cuts attracted little support.

The public response to a union call to protest on Tuesday night against the tough 1997 budget was well below what the government had feared.

Some 40,000 were estimated to have turned out in Barcelona but the numbers were much lower in Madrid and demonstrations elsewhere were small.

It was not clear whether the unions would press ahead with plans for a one-day strike before the end of the year among the 2m civil servants affected by the freeze.



US defence secretary William Perry arriving in Moscow yesterday. He warned his hosts that refusal to approve the Start-2 treaty would cost Moscow and Washington billions of dollars and would not delay Nato's spread into eastern Europe.

# Brussels in Internet clean-up

By Emma Tucker in Brussels

Measures to stop circulation on the internet of child pornography, instructions for building atomic weapons and other illegal materials were proposed by the European Commission yesterday.

The emergency "clean-up" plans, which aim to establish practical measures at an EU level, will be presented to member states for consideration at the end of November.

ship," said Mr Martin Bangemann, commissioner responsible for information technology, stressing the Commission did not want to create from scratch a new definition of "illegal".

Rather it would draw on national definitions of what is considered to be illegal or offensive. "What is criminal off-line will also be criminal on-line," he said.

However, to ensure proper functioning of the single market, some co-operation at an EU level will be necessary, according to the Commission.

It concluded there should be a combination of self-regulation by the providers of Internet services, with technical solutions such as rating systems and filtering software, as well as campaigns to raise awareness of teachers and parents.

The proposals include: ● Strengthening co-operation between member states to enforce existing legislation, plus analysis of where complementary regulations are necessary.

● Encouraging the extension of self-regulation among bodies that provide access to the internet. ● Action by the Council to introduce some form of European rating system; ● Contacts with multinational bodies to encourage co-operation at a global level.

# OSCE pulls out of Albania

By Kevin Done, East Europe Correspondent

The Organisation for Security and Co-operation in Europe has pulled its representatives out of Albania after failing to reach agreement with the government on the number of observers to monitor Sunday's local elections.

The polls are seen as a crucial test for the development of democracy in Albania following severe criticism of the conduct of the general election in May.

Violent clashes erupted between protesters and police in the capital, Tirana, after that election, which was denounced by all the leading opposition parties. They had pulled out of the poll hours before voting ended claiming widespread ballot rigging and intimidation.

In recent weeks the OSCE has come under heavy pressure from Albania to withdraw or revise its earlier report, in order to receive accreditation to observe the local polls.

Albania is understood to want to limit the OSCE team to a symbolic presence of less than 15, and Tirana has spoken of a crisis of confidence with the OSCE in the wake of its criticisms after the general election in which the ruling Democratic party

led by President Sali Berisha won a landslide victory. The OSCE refused to allow limits to be placed on the number of monitors which would be in breach of the undertakings made by member countries.

The dispute with the organisation is a serious setback for Albania's efforts to regain credibility after the turmoil that engulfed the general election. It also throws doubt on the viability of other monitoring missions, including the effort being mounted by the Council of Europe.

Unemployment is high, tourism is on the wane, the economic and political risks great for outsiders attempting to do business locally. The fragile indigenous business base suffers from lack of diversity and financial support.

# Paris prodding fails to stir Corsica

Poor, faction-riven island sees little point in creating tax-free zone, writes Andrew Jack

The French government's decision this summer to create a tax-free zone - endorsed yesterday by the European Commission - on its struggling Mediterranean island of Corsica has greeted with widespread local scepticism.

It is seen as little more meaningful than the supposed "ceasefire" announced nine months ago by Corsican militants calling for greater political autonomy. Their truce has been broken by dozens of bombings, including a bold attack this month on the town hall in the mainland city of Bordeaux.

The mayor of Morsiglia's views are broadly shared across the political parties in the island, which has been ruled by France since 1789, and in which a strong local identity has long fostered a sympathy for the nationalists even if most disapprove of their methods.

Unemployment is high, tourism is on the wane, the economic and political risks great for outsiders attempting to do business locally. The fragile indigenous business base suffers from lack of diversity and financial support.

# EUROPEAN NEWS DIGEST

## Viag and BT sue Telekom

The German industrial conglomerate Viag and British Telecommunications yesterday began legal proceedings in Düsseldorf against Deutsche Telekom, the state monopolist due soon for partial privatisation, alleging a breach of European competition rules. The complaint comes just days after other German telecom operators appealed to Brussels to stop Deutsche Telekom from introducing discounts for corporate clients because it had not met certain conditions.

Viag and BT, which hope to win a licence in Germany to provide telecom services, told the court that Deutsche Telekom's international subsidiary, Global One, had only been permitted to operate by the European Commission if "at least" two other alternative telecoms networks had been licensed in Germany. The Düsseldorf court could issue an injunction against Global One's operations or require Deutsche Telekom to pay damages if the complaint is upheld, BT said. A final decision is expected within two weeks.

The German government licensed three alternative networks earlier this week but BT pointed out that only one of them was nationwide.

Michael Lindemann, Bonn

## Council to admit Croatia

The Council of Europe decided yesterday to admit Croatia as its 40th member of the Council of Europe on November 8. It will be the second former Yugoslav republic to join; Slovenia became a member in 1993. The Council, which promotes democracy and human rights, froze Croatia's application in May and set conditions in respect of the Dayton peace agreement ending the war in Bosnia, democracy and press freedom. Diplomats said Germany, Croatia's main ally in the European Union, had pressed strongly for Zagreb to be "rewarded for good behaviour".

The Council said Croatia had undertaken to co-operate with the war crimes tribunal in The Hague, to ratify the European Convention on Human Rights within a year of admission, and to recognise the right of individual petition and the compulsory jurisdiction of the European Court of Human Rights. During the year after admission, Croatia will also sign the Convention's pledge to abolish the death penalty in peacetime and ratify its decision within three years.

Reuter, Strasbourg

## Rifkind tries hand in Cyprus

Mr Malcolm Rifkind is to visit Cyprus later this year, the first time a British foreign secretary has made a special visit to the island to try to settle the long-festering division between Greeks and Turks there. On his visit, probably late next month, he will meet both President Glafcos Clerides and the Turkish Cypriot leader, Mr Rauf Denktas. The UK has a special interest as the former colonial power and guarantor of Cyprus's independence, retaining two sovereign base areas on the island with a substantial garrison.

In the past three months four people, one Turk and three Greek Cypriots, have been killed in incidents on the Green Line which has divided the island since the Turkish army occupied the northern part of it in 1974. In the most recent tragedy, an elderly Greek Cypriot was shot dead last Sunday by Turkish Cypriot soldiers after straying into the Turkish-occupied area in search of snails.

Edward Mortimer, London

## Austria to extend retail hours

Austria, under pressure from Germany's plans to liberalise retail hours, has published proposals to give people more time to shop at weekends. But the changes, planned to take effect in January, fall well short of those planned in Germany which is undertaking its most ambitious reform of laws adopted in the 1960s to protect corner stores from supermarkets.

Austria's proposals would maintain the present 60-hour weekly limit on shop hours but would allow stores to stay open until 5pm every Saturday instead of only one Saturday each month. Shops do not open on Sunday. Unions and employers have so far failed to agree on overtime pay and thus off, forcing shoppers over the border to Italy, Hungary and Slovakia.

Reuter, Vienna

## Sket workers go to law

Workers at Sket, the east German engineering company which filed for bankruptcy on Tuesday, plan legal action in an attempt to remove a court-appointed administrator. The works council said Bremen lawyer Mr Wolfgang Wutzke lacked the experience to handle big companies.

Mr Wutzke's appointment is also opposed by Sket's management and the BvS, the government agency charged with the privatisation of east Germany's remaining state-owned companies. The latter said it was concerned about a possible conflict of interest as Mr Wutzke is currently acting for companies in legal dispute with the agency.

Officials from the BvS yesterday met Sket managers in Berlin to discuss how to restructure the company, which, despite having received more than DM1bn (\$650m) in subsidies since 1991, is still loss-making. "Filing for bankruptcy was not intended as a way of pushing the company into liquidation but as a vehicle for implementing our restructuring plan," a Sket spokesman said. The plan, which is opposed by the workforce, involved splitting Sket into several parts and shedding more than 1,000 jobs.

Frederick Stüdemann, Berlin

## ECONOMIC WATCH

### Output declines in Italy

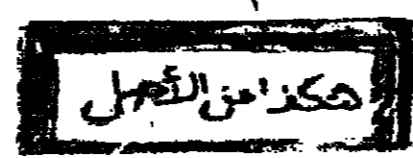
Italy's industrial production in August was 1.18 per cent down on the same period last year on an unadjusted basis, with especially sharp falls in the motor and office equipment sectors, according to Istat, the official statistics institute. With the adjustment for one day less being worked this August, however, production fell by 8.2 per cent. Data released yesterday on electricity consumption showed it declined 0.9 per cent in September against a year earlier and rose only 0.3

per cent for the first nine months. However, Confindustria, the employers' organisation, suggested in its latest bulletin that the worst might be over, with September witnessing a slight return of business confidence.

During August, production in the motor sector fell 48 per cent, a drop explained by a bigger than usual seasonal closure of plants. Significant falls were also evident in office equipment (31 per cent); metal products (37 per cent); rubber and plastics (23 per cent); and clothing (16 per cent). Measured over the first eight months, metal products have registered the biggest decline, falling by 8.4 per cent.

Robert Graham, Rome

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# Prevention is the aim to deter lax budgeting, but sanctions are less than Germany hoped for Commission fashions Emu stability stick

Germany is discovering that there are limits to its power to set the terms of economic and monetary union. This is the chief lesson to emerge from the European Commission's first full debate yesterday on the rules governing currency and budgetary discipline in the post-Emu world.

The Commission discussion highlighted the political tensions in the Emu project, notably over German demands for a "Stability Pact" to guarantee fiscal discipline among countries participating inside the future single currency zone, and the extent to which national parliaments should enjoy some leeway in setting budgetary policy.

Mr Theo Waigel, Germany's finance minister, called for a Stability Pact last year as a means of ensuring that the euro, the future single currency, should remain as strong as the D-Mark. His idea was to use the threat of automatic draconian fines to ensure sound public finances among Emu participants, while simultaneously restricting countries' leeway for loosening the fiscal straitjacket once they enter Emu.

The principle of a tough Stability Pact was endorsed at a meeting of EU finance



Santer, left, and de Silguy, right, forced to withdraw proposals close to those sought by Waigel, centre

ministers in Dublin last month which also agreed on the outline of a new exchange rate mechanism (ERM2) for countries not taking part in the future euro zone. In each case, the new rules helped to clarify ambiguities in the Maastricht treaty.

The progress in Dublin impressed financial markets and strengthened the credibility of the Emu project; but now the hard bargaining has begun on the precise terms of the Stability Pact.

The spirit of the Commission paper agreed in Brussels yesterday can best be summed up with its own slogan: prevention is better than cure. It falls into three separate areas:

- **Prevention.** Countries will be obliged to adopt "stability programmes" containing budgetary goals which will be submitted to the European Commission and EU finance ministers within two months of the plans going to national parliaments.

The medium term objective should be equilibrium or surplus but there should be a breathing space for annual cyclical variations, albeit without breaching the Maastricht treaty's target of 3 per cent of gross domestic product. At the same time, the Commission will operate an early warning system for identifying and correcting budgetary slippages.

- **Deterrence.** If a country gets into difficulty, it faces a threat of sanctions according to a clear timetable. Delinquent states would be given a 10-month warning if their budget deficits exceed 3 per cent of GDP. If a country fails to reduce its deficit, the decision-making Council of Ministers would order it to lodge a non-interest bearing deposit with the European Commission. If the excessive deficit remains after two years, it would be changed into a definitive fine paid to the EU budget.

The sanctions - to be approved by a two-thirds majority of the votes of Emu participants - would be made up of a fixed element equivalent to 0.2 per cent of the country's GDP, plus the equivalent of one-tenth of a per cent of GDP for every 1 per cent over the 3 per cent maximum, up to a ceiling of 0.5 per cent.

- **Flexibility.** The Maastricht treaty does allow for leeway if governments breach the 3 per cent deficit limit in "temporary and exceptional" circumstances. The Commission text says this should apply when resulting from "an unusual event outside the control of the relevant member states and which has a major impact on the financial position of the general government, or when resulting from a severe economic downturn, in particular in the case of significant negative annual real growth".

This language falls short of the original German demands for a fixed target of negative growth of 2 per cent. While the Commission has deliberately left open the prospect of tougher language, the omens do not

## Erbakan survives criticism on Libya

By Kelly Couturier in Ankara

Mr Necmettin Erbakan, the Turkish prime minister, yesterday headed off a bid by opposition MPs to topple his government.

In a parliamentary debate, he faced furious criticism of a trip he made to Libya this month that turned into a foreign policy fiasco after Col Muammer Gaddafi, the Libyan leader, publicly criticised Turkey for its ties to the west and its hard line against Kurdish separatists.

The Islamist Mr Erbakan, whose trip was part of a drive to move Turkey closer to the Islamic world, returned from his three-nation African tour - which included stops in Egypt and Nigeria - to calls for his resignation and three parliamentary censure motions against his three-month-old coalition government.

But yesterday MPs voted by 275 to 256 against convening a censure debate against the prime minister.

Mr Mesut Yilmaz, leader of the main opposition Motherland party, said the government had been "found guilty by the Turkish nation. Under this government, Turkey's foreign policy is not respected and its reliability is being questioned."

Mr Erbakan's Welfare party is in coalition with the True Path party, the main centre-right rival to Motherland, led by Mrs Tansu Ciller, the foreign minister.

The vote came as progress was announced on one of the issues Mr Erbakan discussed with Col Gaddafi - a plan for partial repayment of Libya's \$348m debts to Turkish contractors, which was due to be paid in 1994.

Mr Barlas Turan, head of the Association of Turkish contractors in Libya, told the Reuters news agency that "legal procedures are complete concerning \$188m in repayment and \$60m would be paid immediately with instalments of \$4m to follow."

# Brussels' legal proposals 'step in right direction'

By Gillian Tett, Economics Correspondent

The European Commission yesterday established another crucial building block of European Monetary Union by publishing its long-awaited legal proposals.

The proposals, which will now be discussed by governments, were welcomed by business groups - particularly since they pledge that contracts will not be disrupted by Emu.

Mr Nikolaus Boemcke, secretary general of the European Banking Federation, said: "We are very relieved to have this spelt out in black and white - this

makes it clear that no party can use Emu to walk away from a contract."

But in a politically sensitive move, the Commission has split the legal proposals in two - non-Emu members will not be able to vote on some of it. And though the Commission's proposals cover the European Union countries, it remains crucially unclear whether they will be recognised in other areas, such as the New York financial markets.

Mr Jeffrey Golden, a partner at the US and UK law firm Allen and Overy, said: "This is not the end of the road. But it is a step in the right direction."

Publication of the legal framework follows months of debate between the Commission and business groups.

The process has proved tortuous partly because of business concerns that Emu might disrupt legal contracts. There has also been uncertainty about how the Emu conversion rates and use of the new currency would be enforced.

But the Commission has faced a separate problem in choosing the Maastricht treaty basis for the proposals. For although treaty article 109(4) could be used, it only applies to Emu members after 1999.

The Commission's solution to this has been to split the proposals into two. Some proposals will be introduced under article 235, which applies to all European Union members. This move carries the risk that some states could veto it. But it has the advantage that it could be introduced as early as next year.

The points covered by this article include:

- a provision that the Ecu will be replaced by the euro at a rate of one to one, with a "presumption" that this shall apply to all Ecu
- a pledge that the introduction of the euro "shall not have the

effect of altering any term of a legal instrument... nor giving a party the right unilaterally to alter or terminate a legal instrument."

- a stipulation that conversion rates will be rounded "to six significant figures"

This last point is particularly important, since it allows planning of computer systems specifications.

The rest of the legal framework, which focuses on the transitional arrangements between 1999 and 2002 and other monetary issues, will be introduced under 109(4). This covers points such as

- a provision that any debt

between 1999 and 2002 can be paid "by the debtor either in the euro or in that national currency unit."

- a pledge that member states can switch government bonds and financial markets to euros.
- and confirmation that notes and coins in national currencies will remain legal tender until 2002.

Non-Emu members will not be able to vote on these principles, and doubts remains whether they will have force in the UK.

Lawyers in London suspect that the UK government may have to introduce additional legislation to reinforce the Commission's proposals.

Lionel Barber

extend retail

**Friday, October 18**  
at 11:00 pm (French time)

**New numbering plan in France**

**How to call numbers in France from another country.**

On October 18, 1996 at 11:00 pm French time (9:00 pm UTC), France will switch to a new telephone numbering plan. These changes anticipate for the ever increasing volume of telecommunications traffic in France (new services, fax, mobile phones, etc.). This new plan provides a reserve of numbers for several decades to come and marks a further step towards harmonization with European directives and international recommendations.

This New Numbering Plan applies to all numbers you call in France. To call a number in France from another country, simply dial the country code 33, followed by a 9-digit number.

**9 digits to call all numbers**

To call Paris and the Paris region.

There are no changes. You will continue to dial the 9-digit number which begins with 1.

For example: + 33 1 .....

To call the "provinces" (other regions).

Depending on the location, dial 2, 3, 4 or 5 in front of the current number, which remains the same.

The digits to be added are shown on the area code map and in the area code table.

For example: + 33 20 ..... becomes + 33 3 20 .....

To call mobile numbers and special services.

To call a mobile phone, dial 6 before the current 8-digit number.

To call special services (videotex, audio-tex), dial 8 before the existing 8-digit numbers, which remain the same.

To the current number beginning with:		To the current number beginning with:	
Add:		Add:	
6	01	6	07
6	02	6	08
6	03	6	09
6	06	8	36

To call French overseas "départements" and territories (DOM - TOM).

There are no changes. You dial the 3-digit access code, followed by the 6-digit subscriber number.

For example: + 590 ..... for a number in Guadeloupe.

**Remember...!**

Don't forget to update your personal directories. If necessary, plan for the updates of all French numbers (including speed dialing) stored in your equipment: telephones, fax machines, modems, etc.

**How to phone when you are in France.**

For all calls within France, dial 0 before the 9-digit number. The domestic long distance access code, 16, will no longer be used. To call another country from France, dial 00 (instead of 19).

**France Telecom**

List valid at March 31, 1995

NEWS: WORLD TRADE

Developing countries divided despite Ruggiero's assertion of a 'compelling case'

# WTO push for investment rules pact

By Frances Williams in Geneva

The World Trade Organisation yesterday argued that poorer nations would benefit from international investment rules negotiated in the world trade body.

In a report, apparently aimed at convincing doubtful developing countries, the WTO secretariat said: "Only a multilateral negotiation in the WTO, when appropriate, can provide... a global and balanced framework," noting that trade and investment decisions were increasingly bound together.

Mr Renato Ruggiero, WTO director-general, last week said the report made a "compelling case" for WTO work on the subject. But it has been attacked by trade diplomats from developing coun-

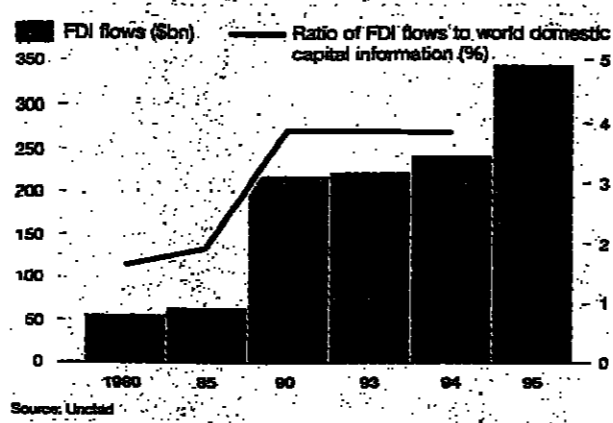
tries which fear a pact would compromise governments' ability to decide on development strategy and industrial policy.

Mr Srinivasan Narayanan, India's WTO ambassador, said the secretariat, normally seen as impartial, was "trying to push one particular point of view on this subject".

India, Malaysia, Pakistan, Egypt and Tanzania are among a core group of developing countries opposed to any WTO consideration of investment for the time being. They want discussion confined within the UN Conference on Trade and Investment, which focuses on development aspects of investment and trade.

However, other developing countries, notably in Latin America, are willing to sup-

## Foreign direct investment



Source: UNCTAD

port a proposal by Canada and Japan for a parallel WTO work programme on investment, which could pave the way for talks on a multilateral investment

accord by the turn of the century.

The proposal also has the backing of the European Union, which favours a WTO investment pact. The US

supports an "educational" work programme on investment but is giving priority to talks under way in the 27-member OECD on a multilateral agreement on investment.

The secretariat report, released ahead of the WTO's annual survey of world trade next month, said the evidence left little doubt that foreign direct investment benefited recipient countries. But it warned that the proliferation of bilateral and regional investment treaties threatened the coherence and predictability of global trade and investment.

A WTO accord would benefit developing countries by: ● guaranteeing a secure and stable environment for investors; ● curbing beggar-my-neighbor investment incentive

schemes which favour countries with deep pockets;

● offering protection from discrimination by regional pacts;

● taking into account interests of developing countries, especially the poorest, which receive little investment.

"WTO members are confronted with a basic policy choice," the report said. Do they continue with the present fragmented approach or seek "a comprehensive and global framework that recognises the close linkages between trade and investment, assures the compatibility of investment and trade rules and, most of all, takes into account in a balanced way the interests of all members of the WTO - developed, developing and least-developed alike?"

Editorial Comment, Page 13

# Sogecable in digital TV plan for Spain

By Tom Burns in Madrid

Sogecable, the Spanish satellite broadcaster which is controlled by Grupo Prisa, the domestic media company, plans to introduce Spain's first digital TV infrastructure next year in association with France's Canal Plus. The French group is one of Sogecable's biggest shareholders and will supply decoding technology.

The Spanish broadcaster, which will make an initial investment of Ptas50bn (\$388m), yesterday said it had contracted seven digital relays in France's Astra satellite system and was negotiating the incorporation of DirectTV of the US to the venture.

The venture by Sogecable, which pioneered pay TV in Spain seven years ago with Canal Plus España, a network that now has more than 1.5m subscribers, has startled domestic regulators as it represents a shortcut into Spain for international media and telecommunications groups.

In a counter move, Telefonía, the partially privatised domestic telecoms operators, said it hoped to meet all Spanish television groups, including Sogecable, next week to examine proposals for a digital TV platform based on its own in-house technology and on

Hispasat, the satellite system owned by Telefonía in association with several state-owned agencies.

The offer by Telefonía, which held talks with Germany's Kirch group during the summer over a possible digital joint venture in Spain, seeks to head off the threat of a foreign telecoms group joining Sogecable. Its offer is backed by the ministry of development which has made it clear there should be only one platform serving the domestic market.

The Sogecable initiative also represents a direct challenge to RTVE, the government's financially troubled television network which operates two TV channels. RTVE, which has accumulated debts of Ptas406bn in 1997 after forecast losses of Ptas96bn this year, had hoped to salvage its balance sheet by leading the domestic move into digital TV.

The RTVE blueprint was based on a partnership with Mexico's Televisa to supply Spanish language broadcasting in an alliance that would have Telefonía as its financial partner.

Fearful of any involvement with the near bankrupt RTVE, Telefonía has proposed such a partnership with the entire domestic TV sector within the framework of a single platform.

# Brazil cries foul over chicken tariffs

By Jonathan Wheatley in São Paulo

Brazil is preparing to request World Trade Organisation consultations over an EU tariff system which exporters of chicken and turkey products say has cost them \$40m in lost revenue over the past two years.

"We have held informal talks with the EU without progress and we have now reached the point at which changes must be made," said Mr José Alfredo Graça Lima, head of economic affairs at Brazil's foreign ministry. The decision to request con-

sultations had been taken, although no date had been set.

Brazilian exporters say they are being denied benefits due under a compensation scheme agreed in the Uruguay Round trade talks and in force since 1994. Under the scheme, the EU grants zero tariffs on a range of prime meat products to exporters from countries adversely affected by EU subsidies paid to producers of vegetable oils.

Quotas for zero tariffs on prime beef products are divided among producer countries by exporters. But

exporters of chicken and turkey products say their quotas are allocated by importers in the EU and not made public.

"Importers use the quotas to avoid duties, but exporters don't know if their products are affected or not, so there is absolutely no benefit to the producer countries," said Mr Claudio Martins, of the Brazilian Association of Chicken Exporters (ABEF). The EU grants zero tariffs on 15,500 tonnes of prime chicken cuts and 2,500 tonnes of turkey a year, divided among seven countries. Mr Martins said Brazil

was the only "traditional" supplier to the EU among the seven and should receive more than its 46 per cent allocation.

"Thailand and China, which are big beneficiaries, are not affected by the EU subsidies, and China isn't even in the WTO," he said.

The ABEF said Brazilian exports of prime chicken cuts fell from 28,500 tonnes in 1994 to 19,000 tonnes last year. "Part of this is explained by higher domestic demand, but the main reason is European protectionism," Mr Martins said. A member of an EU dele-

gation in Brasilia said Brussels was working on a solution to the dispute. He was confident an agreement would be reached without recourse to the WTO's dispute settlement procedure.

China has banned imports of poultry from 10 US states, threatening an export market worth about \$500m a year because of fears of fowl plague, a US embassy official in Beijing said yesterday. Reuters reports, China is the second biggest market for Russia, for US poultry products and is its only market for chicken feet.

# Panel to probe US photofilm complaint

By Frances Williams

The World Trade Organisation yesterday set up a panel of experts to investigate Washington's claims that the Japanese government operates hidden restrictions on imports of photofilm designed to prevent Eastman Kodak of the US competing fairly with Japan's Fuji Film.

At the same meeting of the WTO's dispute settlement body, Washington rejected a European Union request for a panel to rule on the US Helms-Burton law that penalises foreign businesses "trafficking" in confiscated Cuban assets.

Mr Booth Gardner, US ambassador to the WTO, urged the EU to think again about bringing what was essentially a foreign policy matter to the trade body for resolution. Echoing fears that the case will lead the WTO into a political minefield, Mr Gardner said Washington found it "difficult to see any desirable result for [the WTO] for the US or for other WTO members".

He also hinted the US would invoke the WTO's national security exemption in its defence before any panel, noting that some of the measures had previously been "expressly justified" in Gatt, the WTO's predecessor body, "as measures taken in pursuit of essential US security interests". The exemption has never been legally tested.

EU officials said yesterday they were not querying the aims of the anti-Cuba legislation in the WTO but the use of trade sanctions to force US policies on third countries and on companies based in them. The EU is to make a second panel request, which under WTO rules the US cannot block, at the next meeting of the WTO's dispute settlement body on November 20.

In the photofilm case the EU announced its intention to take part in the panel as an interested third party. Agfa-Gevaert of Germany has a small slice of the Japanese market, mostly selling under Japanese labels.

EU officials said yesterday they had not yet received a response from Japan, which has made the consultations with the US conditional on similar consultations on anti-competitive practices in the American market.

The WTO yesterday set up a panel at Canada's request to rule on the EU's ban on hormone-treated beef.

## WORLD TRADE NEWS DIGEST

# Hitachi chip patent action

Hitachi of Japan has filed a complaint against Winbond Electronics, a Taiwanese semiconductor maker, for alleged patent infringement. The Japanese group is seeking to halt US sales of Winbond's static random access memory (SRAM) chips, claiming they violate Hitachi patents. It is also seeking compensation for damages caused by the alleged infringements.

Winbond said the company had not received formal notice of the suit, which was filed in New York against the parent company and its US unit, Winbond Electronics North America. Winbond, controlled by the diversified Walsin Lihwa group, is Taiwan's third-biggest chipmaker.

Hit by a price war in the semiconductor industry, Winbond last week lowered its 1996 profit forecast by 54.6 per cent to T\$2.3bn (US\$83.6m), the second downward revision in five months. The company said it expected prices would continue to be weak.

Early this year, another Taiwanese chip-maker, United Microelectronics Corp, settled out of court in a long-running patent infringement suit brought by Intel of the US. Intel claimed UMC had copied designs for the central processing unit, or cpu, of computers and blocked US sales of UMC's chip.

Laura Tyson, Taipei

# Russia rocket deal agreed

Russia's Scientific and Technological Centre Complex (STC) has agreed to provide rockets for a Canadian venture planning a satellite launch centre in Churchill, a struggling grain port on the western shore of Hudson Bay. The Canadian group, Alkjuit Aerospace, was formed three years ago to refurbish and expand a disused rocket range at Churchill.

The US\$300m facility, to be known as SpacePort Canada, will specialise in launching small and mid-sized satellites into low, polar orbits. The satellites, weighing 100lb-4,000lb, would be used mainly for communications, remote sensing, research, and agricultural and environmental monitoring. Among the companies planning communications satellite networks are Motorola, GE Starsys, Loral, and Orbital Sciences Corp.

Ms Siobhan Mullen, Alkjuit's president, said the project was delayed for several years by unexpectedly slow progress among satellite operators, designers and manufacturers.

However, Alkjuit hopes to sign its first contract early next year and to launch its first satellites in late 1998. The rocket to be provided by STC will be a commercial variation of the SS-25 inter-continental ballistic missile.

Bernard Siman, Toronto

# Akzo Nobel mulls salt plant

Akzo Nobel of the Netherlands is considering setting up a salt company in Australia to supply the Asian market. The Australian plant, planned to be a low-cost producer, would have initial output of 2.5m tonnes of sea salt, rising to 6m tonnes.

A previous plan to set up a salt company in co-operation with the Chinese government foundered due to the number of restrictions imposed by the Chinese authorities, a company official said.

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حکومت القاهره

Quick end to the fighting would be seen as setback to Saddam's renewed influence

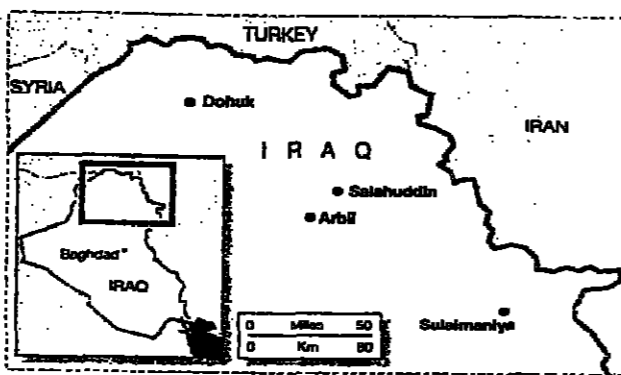
# US races to clinch Kurdish ceasefire

By Foula Khair in London

US officials were yesterday scrambling to secure a ceasefire between rival Kurdish factions in northern Iraq as the anti-Baghdad Patriotic Union of Kurdistan fought to cut the Kurdistan Democratic party's main supply lines.

Mr Robert Pelletreau, US assistant secretary of state, contacted both Mr Jalal Talabani, leader of the PUK, and Mr Massoud Barzani, head of the KDP, in an effort to arrange an end to the fighting. As a KDP delegation arrived in Washington for talks, Mr Talabani told the pan-Arab daily newspaper Al-Hayat that he would soon meet Mr Pelletreau in an Arab capital.

British diplomats said Mr Talabani was ready to agree a ceasefire and to meet Mr Barzani face to face. Last month, after asking for help from Baghdad, Mr Barzani won control of virtually all of Iraq's Kurdish north. But in the last four days Mr Talabani has struck back, regaining about 60 per cent



of the Kurdish territory. While agreeing to a ceasefire in principle, and telling western officials he has no intention of trying to recapture Erbil, the regional capital, for fear of drawing Iraqi troops back into the fighting, Mr Talabani was yesterday trying to strengthen his negotiating position by pushing to cut the KDP's main communication lines between the towns of Dohuk and Sulaimaniya.

US officials said yesterday that while a quick end to the fighting would present an opportunity for a renewed

US role in northern Iraq, and represent a setback to Iraqi President Saddam Hussein's renewed influence among a section of the Kurds, they viewed the dangers of an escalation with alarm.

"The current situation presents some opportunities. There can be some good that comes out of it," one US official said. "But as long as the fighting continues, the risks outweigh any opportunity that might be developing."

The main risk is that a continuing PUK offensive could send Mr Barzani, who has sought to distance him-



President Saddam Hussein of Iraq is applauded by party members in Baghdad yesterday AP

self from Baghdad in recent weeks, back into the arms of Mr Saddam. Iraqi Republican Guards were yesterday moving north from Baghdad. Meanwhile, Iraq accused neighbouring Iran of interfering on the side of the PUK and sent an envoy to meet Mr Ali Akbar Hashemi Rafsanjani, Iranian president.

Renewed Iraqi involvement would once again present a dilemma for US policy and highlight the limitations of "dual containment" of Iraq and Iran. The US responded to Mr Saddam's incursion into the north last

month by firing 44 Cruise missiles against the Iraqi air defence system in the south. But its actions won little support from its partners in the 1991 Gulf war.

Although there is no evidence of direct Iranian involvement in the current fighting, Tehran has no doubt provided the PUK with logistical support, according to diplomats. Tehran is likely also to have provided financial help.

British officials said yesterday that the PUK's spectacular progress could be partly explained by its hav-

ing taken over rivals' vehicles and weapons left after a three-day KDP offensive on the PUK last week.

Both Kurdish factions have also been victims of their own propaganda. The main city of Sulaimaniya, a PUK stronghold, fell easily to the KDP in September after the PUK publicised allegations that Republican Guards were on their way.

Similarly, KDP claims that Iranian troops were fighting alongside the PUK led many KDP fighters last weekend to abandon their positions in Sulaimaniya.

## INTERNATIONAL NEWS DIGEST

# Levy upbeat over Hebron

Mr David Levy, Israel's foreign minister, yesterday said the remaining differences between Israeli and Palestinian negotiators over troop redeployment from the West Bank town of Hebron "could be solved in a few hours".

In a statement made to the Knesset, he insisted there had been significant advancement in talks in recent days and asked Mr Yassir Arafat, president of the Palestinian Authority, to give the green light to his negotiating team to accept the agreement. "What is left can be solved in just a few hours," Mr Levy said.

But Mr Arafat, who was holding talks in Cairo with Mr Hosni Mubarak, the Egyptian president, dismissed any suggestion of progress. He accused Israel of presenting new proposals aimed at changing the terms of the 1995 Israeli-Palestinian interim agreement for the long-delayed Israeli troop redeployment from Hebron.

He said proposals for the redeployment would divide Hebron as the Israeli government was determined to establish new security measures for the 20 Jewish families living in the centre of the city and other Jewish settlements around the city.

According to Palestinian negotiators, Israel wants the right of "hot pursuit" into territory controlled by the Palestinian authorities if any settlers were attacked or if Israel wanted to crack down on Hamas, the Islamic resistance movement.

## IMF pledges aid for Angola

The International Monetary Fund said yesterday it believed the Angolan government was serious about economic reform and pledged to set up a three-year emergency programme worth up to \$75m.

The IMF withdrew its representative from the oil and mineral-rich country last year after the MPLA-led government failed to implement reforms for the fourth time since 1987.

But after three days of talks with President José Eduardo dos Santos and his recently reshuffled government, Mr Michel Camdessus, IMF managing director, said he was confident things had changed. The emergency programme under the extended structural adjustment facility will make available up to 35 per cent of Angola's \$300m quota.

## Taliban defies ultimatum

Fighting flared north of Kabul yesterday as radical Taliban leaders defied an ultimatum to quit the Afghan capital and neighbouring Iran called for peace talks. The worsening conflict in Afghanistan has aroused concern in Iran, Pakistan and central Asian countries, some of which fear that the Taliban's Islamic zeal could spill over their borders.

Taliban jets bombed the strategic town of Jabal os-Siraj, held by the ousted government military chief General Ahmad Shah Massoud, for a second successive day, witnesses said. A Taliban spokesman in Peshawar said more than 1,000 fighters had launched an offensive yesterday in the Bagram, Charikar and Qara Bagh areas between Kabul and Jabal os-Siraj and were advancing.

In Kabul, Mr Amir Khan Muttaqi, acting information minister, responding to a call by Gen Massoud to leave the city or face bloodshed, said Taliban would defend the capital.

# Multinationals raise profiles in Nigeria

By Paul Adams in London

A year after the government eased controls on foreign investment, the ownership of Nigeria's non-oil sector is taking shape.

Multinationals discreetly raising their stakes above the old 40 per cent limit to take control of their Nigerian operations account for most of the estimated \$5m of foreign investment in the first half of this year.

This is a modest total for a country of 100m people, but if the military regime hoped that lifting controls on foreign equity and exchange rates would open a floodgate for investors, the move came too late. The days of quick returns, for all but a privileged few, are over and years of economic misrule

have plunged consumer spending to a new low. Nigeria's political uncertainty, had infrastructure and security, and low skill levels deter all but the most committed from investing in sub-Saharan Africa's second largest market.

Established companies such as Unilever, Paterson Zochonis, Guinness and Nestlé are in Nigeria for the long haul. With the capital to replace old plant and the management to cut costs, these groups increasingly dominate their sectors.

Last year's legislation offers these multinationals the chance to take full control of their Nigerian boards.

Prices of blue chip stocks have risen sharply in the past year, if

they can be bought at all. But multinationals which formed smaller subsidiaries in Nigeria, permissible from 1990, can merge them with their main operations to take full control.

Unilever was first off the blocks last November. The Anglo-Dutch group merged assets divested two years ago from UAC, its original flagship in Nigeria, with Lever Brothers Nigeria to raise its combined stake in the country's biggest food and detergent conglomerate to just over 50 per cent.

This month's sale of its minority stake in Nigeria's leading brewery to senior partner Heineken completes the reshuffle of Unilever's portfolio, which retains the lucrative Caterpillar dealership, a joint venture with UAC.

Swiss rival Nestlé followed suit last month. Nestlé Foods Nigeria, 40 per cent held by the parent, took over a 70 per cent Swiss-owned sister company to give the multinational 53 per cent of the combined company.

Paterson Zochonis, the UK-based detergent and consumer group which derives much of its earnings from Nigeria, is on the same path. Buying shares on the market took the parent company's holding in PZ Nigeria to 45 per cent.

But on November 20 shareholders in PZ Nigeria will vote on a proposed merger with PZ's white goods subsidiary Thermocool to give the Manchester-based group control of the combined business. By early next year UK drinks

group Guinness is expected to take a majority share of operations in Nigeria, its third largest market for stout, by converting loan stock into equity.

Citibank's increase in shares in Nigeria International Bank from 40 per cent to 75 per cent was a private transaction but it created the only foreign subsidiary - soon to be renamed Citibank Nigeria - in a sector undergoing a drastic shake-out.

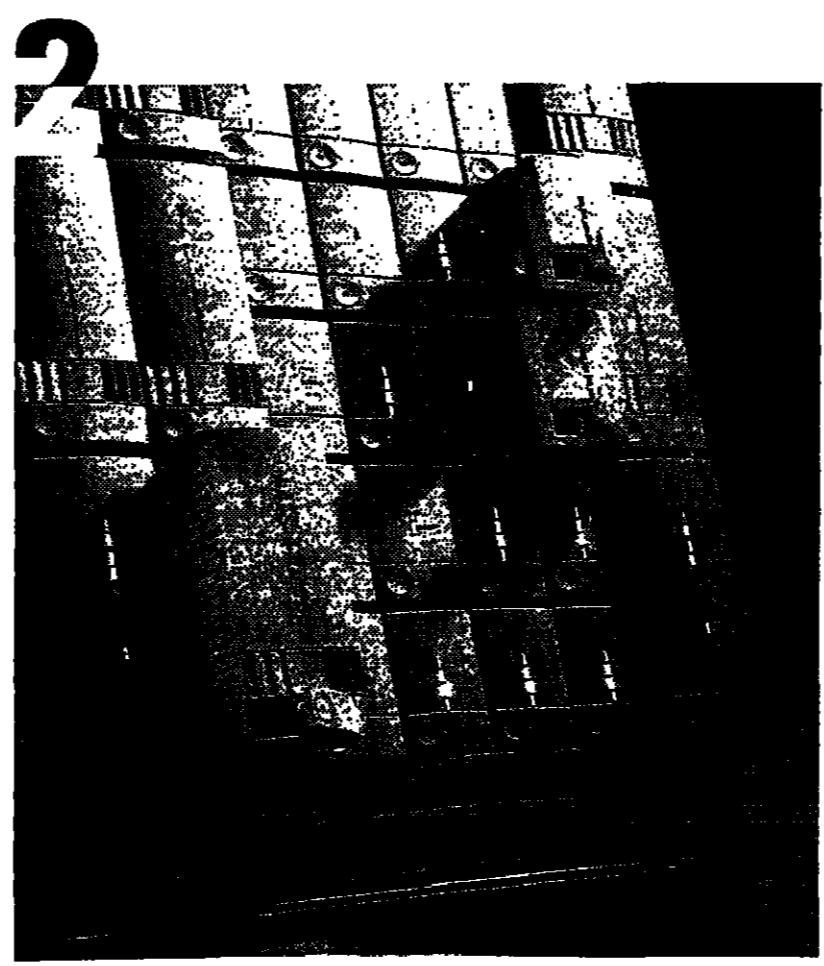
Other established multinationals will increase their Nigerian holdings but newcomers, except in oil and possibly mining, are unlikely. Nigeria was rated the least attractive country for investment out of 40 assessed by British businesses in a recent survey by Control Risks Group.

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NEWS: ASIA-PACIFIC

# Indian premier chides industry

By Mark Nicholson in New Delhi

Mr H.D. Deve Gowda, India's self-proclaimed "humble farmer" prime minister, yesterday abandoned the formalities of a set-piece address to deliver an exasperated homily to Indian industrialists, urging them to stop "making speeches" and to offer him "concrete solutions" to the country's economic problems.

Mr Gowda, ostentatiously dispensed with a 17-page speech for the associated chambers of commerce and industry and expressed impatience at opposition to vital infrastructure projects, dissatisfaction with inward investment levels and scepticism at the value of "these seminars".

He also criticised foreign "misconceptions" that India was politically unstable, or that his government might roll back five years of reforms. "No force can destabilise this democratic system," he insisted. He also chastised Indian industrialists for failing to invest sufficiently in their own country.

Astonished foreign observers in the audience were divided over Mr Gowda's extemporised speech. In folksy contrast to the aloof, intellectual manner of Mr P.V. Narasimha Rao, his predecessor, Mr Gowda said: "Forget that I am prime minister for a minute, and asked them to 'tell him to the face' how to speed up growth and raise investment. 'Please help me, I am not an economist.'"

He asked his business audience why China had managed to attract far more investment than India. India last year drew \$2bn of foreign direct investment against China's \$30bn. "We speak so much about liberalisation, but the biggest democracy cannot attract investment while the largest communist country can. There is something wrong," he said.

# William Dawkins on a Communist party back in favour

# Japan's Leninist contradiction

It may seem odd in a society held to be as conservative as Japan's that many voters are poised to support their local Communist in the general election on Sunday. But on the evidence of recent opinion polls, the Japan Communist party is heading for a striking come-back from a post-cold war fall from favour.

The JCP could double its seats in the lower house of parliament to 30, perhaps more, political analysts in Tokyo agree. If so, the Communists might emerge as the strongest leftwing party, given that the Social Democratic party is set to lose at least half its 63 seats, some to the Communists. The Socialists discredited themselves by ditching most of their policies to join a government coalition led by their traditional foe, the conservative Liberal Democratic party. The Communist party swears that it will never repeat the SDP's self-destructive pact.

The difference between the two leftwing parties' appeal was palpable, as they campaigned one evening recently outside Tsudanuma station, a dormitory suburb of Tokyo. At one entrance commuters hurried past a lone SDP candidate vainly trying to attract attention. At the opposite entrance, Mr Kazuo Shi, the JCP's secretary general, addressed a crowd of hundreds.

The JCP's success is in part thanks to a rejection of the middle and perceived venality of the mainstream parties, which have been embroiled in an undignified scramble for power in four coalition governments since the LDP's fall from grace in 1993.

Accordingly, the Communists started to attract high scores in local elections straight after the LDP's humiliation. Their pressure on the political establish-



Prime Minister Hashimoto seeking a majority, Communists notwithstanding

ment became serious last February when a Communist came within less than 1 per cent of winning the mayoral election in Kyoto. A month later, another Communist candidate narrowly failed to unseat an LDP man in a by-election in Gifu, once solid conservative territory.

Then the break came. A Communist best candidate from all the main parties to become mayor of Komae, a Tokyo suburb, in July. This success was repeated last month, in the central Tokyo ward of Adachi. It is a mark of the JCP's confidence - and the cash it earns from its newspaper Akahata, or Red Flag - that it is fielding

a record 321 candidates on Sunday, of which 299 will be competing in single-seat districts, the largest number of any party.

The curious thing is that, on paper, the JCP is one of the most extreme Communist parties outside North Korea. Its fiery manifesto praises Lenin, calls for a "planned economy" and demands an end to the US-Japan security treaty. While many voters would like US forces ultimately to leave Japan, those who want to end the security alliance itself are, for now at any rate, on the fringe.

The party's actual stance is moderate, however, tuned to seek financial compensation from Taipower for construction delays.

# Taiwan MPs to vote on \$5bn N-plant

By Laura Tyson in Taipei

Taiwan's legislative Yuan, or national parliament, is to vote tomorrow on a controversial nuclear power plant, the country's fourth, amid protests from opposition legislators and anti-nuclear activists.

Mr Liu Sung-fan, Speaker of the parliament, yesterday called for a vote on the esti-

ated \$5bn (£3.2bn) plant in an effort by the government and the ruling Nationalist party to restore the project, whose budget was overturned in a surprise move by the opposition in May.

A two-thirds majority is needed to uphold the cancellation of funding, which may be difficult for nuclear opponents to muster as the ruling party holds just over half of the legislature's seats. But

opposition members reacted angrily to the decision to put the matter to a vote without an opportunity for legislative debate and threatened to disrupt the ballot.

The debate was to have begun on Tuesday but members of the main opposition group, the Democratic Progressive party, physically barred Mr Lien Chan, the premier, from entering the chamber to deliver a report

in defence of the project.

Yesterday, General Electric, the US engineering concern which won a \$1.5bn contract to supply twin reactors and generators just hours after the plant's budget was cancelled, notified Taipower, the state electricity monopoly, that it would not extend a deadline of midnight last night for starting work on the project. The move paves the way for GE

to seek financial compensation from Taipower for construction delays.

The government says the plant is vital for continued energy self-sufficiency and stable economic growth. Taipower has invested US\$220m in the project so far. Anti-nuclear activists point to the dangers of an accident and the added energy supply expected from private-sector power producers.

ASIA-PACIFIC NEWS DIGEST

# Australia rate cut hopes hit

Australia's Reserve Bank yesterday quelled expectations of a further cut in official interest rates, saying this would depend largely on the level of wage inflation seen in the coming months. The bank's cautious line surprised analysts who had hoped for an interest rate cut before Christmas and led to a sharp sell-off on local bond markets. The RBA last lowered the overnight cash rate, from 7.5 to 7 per cent, in July, the first reduction since the three rate rises in late 1994.

In its quarterly report yesterday, the RBA said there might be "potential for the economy to grow a little faster than at present without threatening inflation". But this depended largely on wage prospects. The usual measure of wage inflation suggested annual increases were now under 4 per cent, consistent with the bank's 2-3 per cent inflation target. But it warned that "enterprise bargains" (decentralised wage agreements between individual workplaces and employers), were running at over 5 per cent, "and higher still for the private sector and executive salaries".

# Pakistan seeks market loans

Pakistan, faced with heavy debt repayments in October-December, is trying to raise money from international markets, analysts said yesterday. Falling reserves, a gaping trade deficit and the International Monetary Fund's reluctance to resume payments of a \$600m standby loan had forced the government to seek expensive short-term loans to meet debt servicing commitments.

Such reliance on short- and medium-term commercial borrowing could worsen the current account position by adding to an already onerous debt service burden, they added. The State Bank of Pakistan, the central bank, said foreign exchange reserves stood at \$31m, excluding bullion, on October 3. Mr Farrukh Hasan, country head of Crosby Securities, said Pakistan was negotiating with a US-based securities firm to arrange a \$100m floating rate note issue. He did not name the firm.

# Congress threat to Delhi

The Congress (I) party threatened to bring down India's government yesterday after accusing it of "playing into the hands" of Hindu nationalists following state elections. Mr Sitaram Kesri, Congress president, issued his warning after the United Front, the coalition which runs the national government, refused to back a Congress ally in the northern state of Uttar Pradesh.

Congress wants Prime Minister H D Deve Gowda to endorse a leader of the Bahujan Samaj Party (BSP), as chief minister of the state at the head of a coalition administration. The United Front's backing would keep the Hindu nationalist Bharatiya Janata Party (BJP), which topped the elections but failed to gain an outright majority, out of power.

The BJP, which won 174 of the 425 seats in the September-October state elections, formally asked Uttar Pradesh governor Romesh Bhandari yesterday to be allowed to form a government, claiming it would be able to command a majority.

# N Korea missile 'set for test'

The US yesterday sent a reconnaissance aircraft to monitor the possible imminent test firing by North Korea of a medium-range ballistic missile into seas off the Japanese coast. A US military spokesman in Tokyo said the modified C-135 aircraft was on station in the area to feed back information of any firing.

An official from Japan's Self Defence Agency (SDF) said a US satellite had confirmed North Korea had moved a launch platform for the Rodong-1 missile, capable of reaching a large part of Japan, out of the missile's assembly plant in eastern North Korea. The Rodong 1, with a range of about 600 miles, is based on the Soviet Scud design used by Iraq in the Gulf war.

# Mongolia corruption claims

Mongolia's Edernet Copper, which accounts for 67 per cent of the country's export earnings, has become embroiled in a corruption scandal, officials were quoted as saying yesterday. The State Property Commission (SPC) has accused some corporation managers of "corruption, misconduct, neglect of duty, and mismanagement of funds", with one Edernet director singled out. "Boundaries have been blurred between state assets and private interests, allowing a group of private people to use state funds as their own," press reports quoted the SPC chairman as saying. With an annual output of 340,000 tonnes, Edernet is one of the world's top 10 copper concentrate producers, and the second largest in Asia.

# Japanese managers criticised

Japanese corporate managers are reluctant to sell off weak and unpromising subsidiaries, Mr John Welch, chairman of General Electric of the US, told the Kansai Association of Corporate Executives in Osaka yesterday. He suggested the managers speed up decisions. "Americans tend to think in terms of weeks; Japanese take years," he declared.

# All the blanks fit to print

Readers of the Sankei newspaper in Tokyo found much of yesterday's afternoon edition blank. Space usually taken by advertisements was left open in hopes that readers would learn to appreciate the importance of ads, the newspaper said. "Sometimes you notice a thing when it's not there," the print in the centre of one blank ad space explained.

Proclaiming October 20 "Newspaper Ad Day", the paper, Japan's fourth-ranking national daily, published the blank spots only in the afternoon edition. The 14 companies that agreed to have their ads pulled had their names in small print in the spaces their ads would have occupied.

# Clinton may go to China in 1997

By Tony Walker in Beijing

The US and China appear to be laying the foundation for improved relations following the US presidential elections in November providing Mr Bill Clinton is re-elected.

Mr Winston Lord, assistant secretary of state for east Asian and Pacific Affairs, met Mr Liu Enxian, China's deputy foreign minister, yesterday to discuss enhanced contacts after the election. Mr Warren Christopher, secretary of state, is due to visit China in late November when he is expected to discuss a proposed visit by Mr Clinton to China in 1997.

The US administration, under pressure from critics of China's human rights record, refused to schedule reciprocal presidential visits during Mr Clinton's first term. But the US has assured China that Mr Clinton will visit Beijing if given a second term.

President Jiang Zemin has so far angled in vain for an invitation to visit Washington.

Sino-US relations appear to have improved markedly in recent months but remain susceptible to pressures over a yawning trade deficit in China's favour and arguments about human rights and arms proliferation.

Relations chilled last year following a visit to the US by President Lee Teng-hui of Taiwan. China suspended high-level contacts with Washington and mounted "war games" in the Taiwan Strait.

In Washington, Mr Nicholas Burns, State Department spokesman, said there was unlikely to be any restriction on issues discussed by Mr Lord in Beijing. "I think all issues are on the table in his discussions with the Chinese," said Mr Burns.

Mr Christopher was originally scheduled to visit China earlier this year, but his mission was postponed. He last visited Beijing in 1993. Presidents Clinton and Jiang are due to meet next month in Manila.

# Boost for state sector exports

By Tony Walker

Increased government support for China's ailing state sector is expected to boost flagging exports in the second half of the year and improve the outlook for the country's balance of payments.

The Development Research Centre, a research institute under China's state council, or cabinet, said government efforts to "beef up" credit support for state companies would stimulate exports and overcome a "slump in the sector."

The DRC is forecasting a \$6bn-\$8bn surplus for 1996, a significant improvement on earlier predictions that China would record a small trade deficit. China's surplus last year was \$16.7bn.

China's state companies recorded their worst results since the 1949 revolution in the first six months, but an easing of tight credit is expected to improve competitiveness in international markets.

Beijing instituted a credit squeeze in mid-1993 to curb an overheating economy and bring inflation down. Inflation reached 21.7 per cent in 1994, a post-1949 high.

The DRC forecast coincides with September figures which showed China recorded its highest monthly trade surplus for the year. Exports reached \$13.4bn compared with imports of \$10.2bn. China's trade surplus for the first nine months totalled \$3.13bn.

The research body said tax rebates to exporters were being accelerated to assist exports further and banks had increased credit support to state trading companies.

In the nine months to September, China's total trade reached \$199.9bn, up 1.1 per cent on the same period last year. Exports were worth \$104bn, down 2.7 per cent and imports reached \$95.9bn, up 5.8 per cent.

Exports of garments and textiles dropped 4.5 per cent and 17.9 per cent respectively but machinery and electronic items were up 8.5 per cent.

THE SUCCESSES CONTINUE...

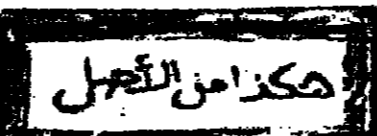
<p><b>Fletcher Challenge</b></p> <p>£902 million</p> <p>Acquisition of Forestry Corporation of New Zealand Limited</p> <p>Co-advised by HSBC Samuel Montagu</p>	<p><b>COURT CAVDENISH</b></p> <p>£250 million</p> <p>Proposed merger with Takare</p> <p>Advised by HSBC Samuel Montagu</p>	<p><b>TOM COBLEIGH plc</b></p> <p>£96 million</p> <p>Recommended offer from The Rank Organisation</p> <p>Advised by HSBC Samuel Montagu</p>
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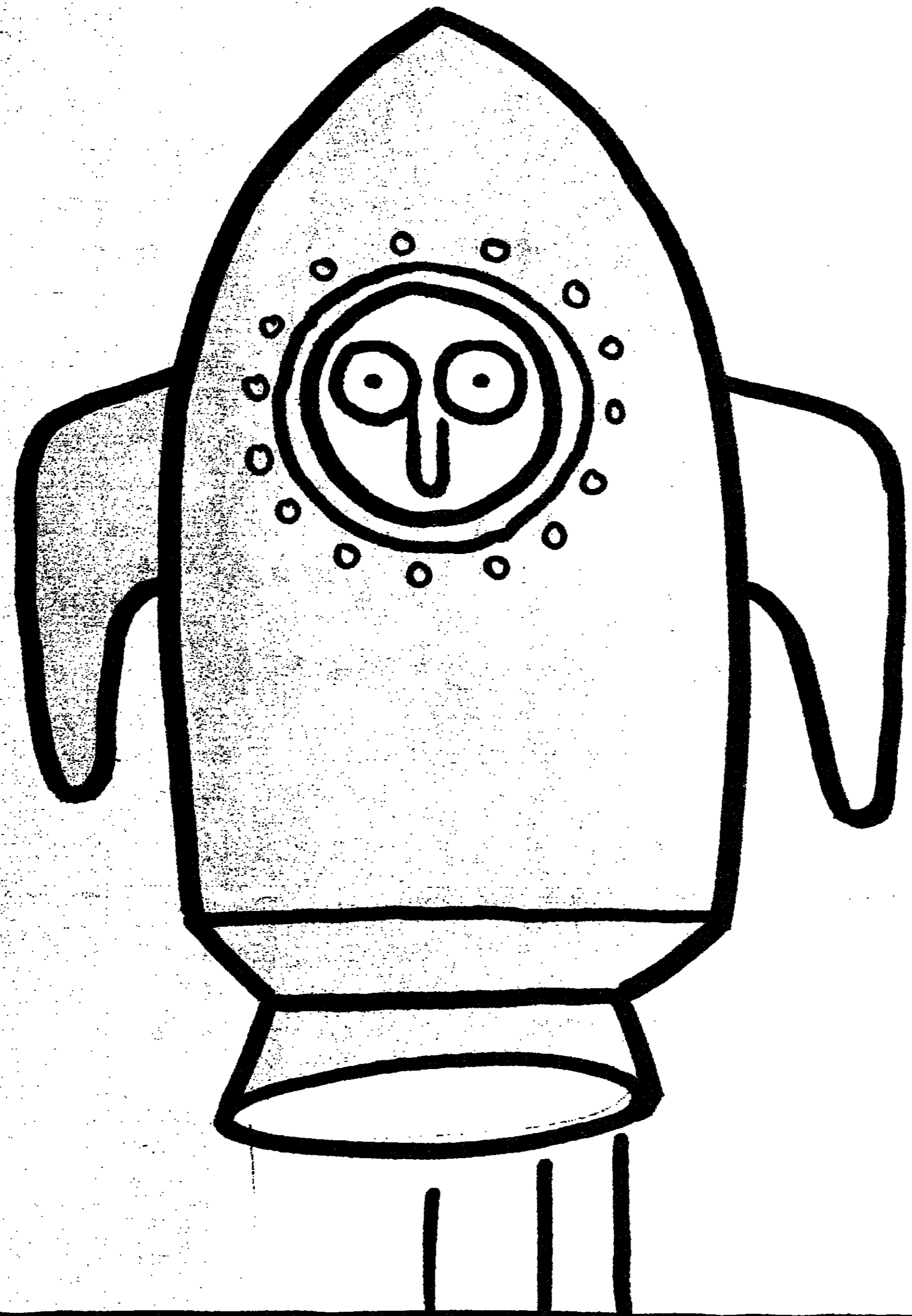
WEDNESDAY OCTOBER 11, 1995  
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Hispasat, the satellite company owned by Telefonos de Espana, has announced an association with the state-owned operator. The offer, which has been held back since the summer, is a digital joint venture. Hispasat seeks to lead a group of investors in a bid to back a new satellite of development. Hispasat had been expected to be the main partner in the deal, but the Spanish government is now the main partner. The deal represents a move by RTVE, the Spanish public broadcaster, to expand its reach. Hispasat is a joint venture between Telefonos de Espana and Telefonos de Andalucia. The deal is a major step in the development of digital TV in Spain. Hispasat has been working on the deal for some time. The deal is expected to be completed in the next few months. Hispasat has been working on the deal for some time. The deal is expected to be completed in the next few months. Hispasat has been working on the deal for some time. The deal is expected to be completed in the next few months.

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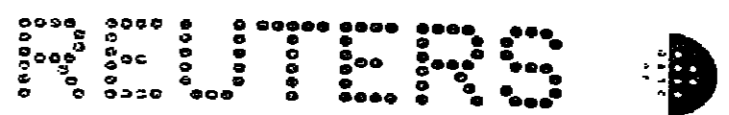


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NEWS: THE AMERICAS

# Long delay in opening up US telecoms

By Richard Waters in New York

The opening of the \$100bn US local telephone markets to competition seemed set for considerable delay yesterday, following an appeal court's decision on Tuesday to put a temporary block on Washington's plan for deregulation.

The threat comes eight months after Congress passed a sweeping Telecommunications Act to end the monopolies enjoyed by the country's local telephone companies, or 'Baby Bells', and to allow greater competition in the long-distance market.

It also represents a considerable setback for Mr Reed Hundt, chairman of the Federal Communications Commission, who has tried to use the act as a platform for setting nationwide ground rules to govern how deregulation proceeds. Mr Hundt has come under attack from local telephone companies, which claim he is imposing new and unnecessary regulatory machinery on the industry.

On Tuesday, a federal appeals court in Kansas City put a temporary stay on the key aspects of the FCC's plan. Published in August, its so-called 'interconnection rules' were meant to govern the financial terms on which rival companies link their telephone networks, making it possible for customers to choose between different carriers.

The appeal court decided, though, that the FCC's attempt to influence the way prices are set between local and other telephone companies ran counter to the Telecommunications Act, since it would impose 'national pricing rules for what is essentially local service'.

If the temporary stay is upheld, the court's decision would leave it to individual state regulators to set pricing rules for their markets. Mr Hundt immediately announced his intention to try to have the stay overturned. If he does not succeed, the case will go to a full hearing before the appeal court in January. Some of the US's long-distance companies, including AT&T and MCI, said they would support Mr Hundt's appeal.

A protracted legal battle would delay the opening of the local telephone business. Also, long-distance companies said that leaving the interconnection rules to individual states could lead to different financial terms in different markets.

"In some cases, the delay could be great," AT&T said. "We will not enter a market where there is uneconomic pricing."

The appeal court decision was welcomed by 'Baby Bells' and GTE, the local telephone operator which has led the legal challenge to the federal regulations in recent weeks.

GTE said that ruling would prevent "the FCC's efforts to stack the deck against the local phone companies" and would restore "Congress's vision of a level playing-field".

Whatever happens, however, Mr Hundt is likely to retain some power to insist on local pricing. Under the act, local companies are not allowed to offer long-distance telephone service until they have satisfied the FCC their local markets have been opened to competitors. Mr Hundt would be able to use his agency's interconnection rules to decide whether they had met this condition, AT&T said.

# New York Fed holds Nazi gold hoard worth \$25m

By John Authers in New York and William Hall in Zurich

The New York Federal Reserve holds gold worth almost \$25m which was originally looted by the Nazis during the war, it was revealed yesterday in public hearings held by Mr Alfonso D'Amato, chairman of the US Senate banking committee.

The admission was made by the Fed in a letter to Mr D'Amato. The gold was shipped to the US from the Tripartite Commission for the Restitution of Monetary Gold, which was set up after the war to redistribute looted assets.

Jewish organisations in the US greeted the news as a "bombshell". Mr Elan Stein-

berg, chief executive of the World Jewish Congress, said the finding showed looted gold had been spread widely. Speaking outside the hearing, he said: "There are two tons of looted Nazi gold four blocks from here".

Mr D'Amato used the hearing to launch an attack both on Swiss banks and the way the issue has been handled by the Swiss government.

He fiercely criticised the Swiss government commission which will investigate the issue. "We want real co-operation and this commission doesn't demonstrate any kind of good faith. It's not an independent commission and it has no real teeth."

The possibility it could take the commission as long as five years to report was

"unconscionable", given the extreme age of many of the Holocaust survivors affected, he said. The youngest of the witnesses with assets held by Swiss banks who gave evidence yesterday was 70 years old.

The senator called for an independent commission, to be run by a non-Swiss third party, with broad powers of access and a tight time schedule.

This would be separate from the body chaired by Mr Paul Volcker, former chairman of the US Federal Reserve, set up to review the Swiss banks' efforts to trace and return the assets of Holocaust victims.

Mr D'Amato stressed his respect for Mr Volcker, but said his committee had so far done "very little other

than structural work". Mr D'Amato's latest attack on the Swiss banks will turn up the pressure on Mr Volcker. Jewish organisations are concerned that the terms of reference of the Volcker committee are too narrow, and are keen that its scope should be widened to enable a much wider search for looted assets hidden in the Swiss financial system.

The Volcker committee will meet in Zurich tomorrow to review efforts to choose an auditing firm which will undertake the technical investigation.

It is also expected to discuss the committee's terms of reference which will be critical to the success of the subsequent investigation.

# Dole may find California is not his natural turf

Jurek Martin reports from the election's most valuable prize

Mr Bob Dole is certainly sounding as if he has not given up on California, the largest single prize in the November 5 presidential election, with its glittering 54 votes in the electoral college.

In his Tuesday speech - most notable for its attack on the public ethics of President Bill Clinton and his administration - the Republican candidate touched most of the buttons which, to the state party, are this year's articles of faith.

He came out strongly in support of the California Civil Rights Initiative, which bars government involvement in affirmative action programmes for minorities and women. He demanded still tighter controls on illegal immigration. He condemned a ballot proposition sponsored by trial lawyers and designed to protect the rights of those filing damage suits.

This morning, fresh from his televised debate with Mr Clinton, he will head for Orange County, the Los Angeles suburb that has long been a Republican heartland. But that is where the president is bound, too, not so much intent on tweaking Republican noses as convinced by local polls that he has a fair chance of beating Mr Dole on what ought to be his home turf.

If indeed Orange County is a toss-up, then it follows that California itself, traditionally divided between a Democratic north and a more Republican south, is leaning heavily towards Mr Clinton. That was the evidence of every opinion survey except the last one, in which Mr Mervyn Field found the president's lead cut in half to 10 points. The common view, from which Mr Field himself does not dissent, is that this poll, which created so much excitement in the Dole camp, might have been an illusion.

He told yesterday's New York Times: "There's a hard-core Clinton vote of close to 50 points, enough to win easily in a four-way race [including Mr Ross Perot of the Reform party and Mr



Bidding for the Californian vote: Bob Dole (left) and Bill Clinton

Ralph Nader of the Green party, both stuck at about 3 per cent). Dole has never reached 40 points in our polls this year and he continues to trail, five to three, among women."

That reflects how hard Mr Clinton has worked the state over the last four years and the degree of credit he gets from its sharply recovered economy. He has visited the state 27 times as president, spent federal funds liberally in aiding conversion of defence facilities in southern California, and has tapped into Hollywood fund-raising as successfully as did Ronald Reagan, former Republican president whose acting career was based there.

By contrast, Mr Dole has been a peripheral figure, apart from his attacks on movie industry standards and the staging of the August party convention in the state. But he has a native Californian, Mr Jack Kemp, as his running mate. The Speaker of the House, Mr Newt Gingrich, is fearful of the loss of local congressional seats, and the Republican governor, Mr Pete Wil-

son, is equally nervous that the state assembly will revert to Democratic control. All are urging Mr Dole to fight hard.

Yet the Republican candidate and the state do not sit easily together. California is as environmentally conscious as any in the nation. It is also strongly in favour of abortion rights (as is Mr Wilson), has some of the toughest local anti-smoking laws, and is not a stronghold of the religious right. These positions and beliefs do not play to Mr Dole's strengths.

Until now, his state campaign had appeared almost moribund. Last week, for example, it spent only \$308,000 on media advertising statewide, less than a quarter of the outlays in Florida, which is competitive, and less even than in Michigan, Ohio, Pennsylvania and New York, where Mr Clinton is comfortably ahead.

The market penetration figures, measured by so-called ratings points, were even worse. In Los Angeles, the Dole campaign spent \$171,000 to achieve a miserly 500 points; in New York City

it spent \$637,000 and recorded a respectable 1,350 point penetration.

It is possible Mr Dole's apparent new commitment to California is a tactical feint. But if it is not, then most local experts reckon the Republicans will have to spend at least \$4m in local advertising in the three remaining weeks, which means budgetary diversions from other states.

Many local Republican congressional candidates have already started to go their own way, at least three taking matters to extremes. They are running TV commercials in which the face of a notorious convicted child-killer metamorphoses into that of their allegedly "soft on crime" Democratic opponents.

Even in his new tough anti-Clinton mode, Mr Dole might draw the line at this sort of attack advertising. But it will take much more than one speech for him to avoid history repeating itself, which is that no Republican this century has become president without carrying California.

AMERICAN NEWS DIGEST

## US consumer prices up 0.3%

US consumer prices rose 0.3 per cent last month, signalling a slight increase in inflationary pressure, official figures showed yesterday. The largest price gains were for food, clothing and transport, each of which rose 0.5 per cent from August. Energy costs were flat after falling in previous months.

The Labour Department said the annual rate of inflation edged up to 3 per cent against 2.9 per cent in August. In the first nine months of this year consumer prices rose at an annualised rate of 3.2 per cent, up from 2.5 per cent for 1995 as a whole. The figures, however, sparked little reaction in bond markets in part because they followed a modest price gain of 0.1 per cent in August. In the past three months prices have risen at an annualised rate of 2.6 per cent.

The "core" consumer price index - which excludes the volatile components of food and energy - rose 0.3 per cent last month and by 2.7 per cent in the year to September. The figures were in line with expectations and unlikely to increase pressure on the Federal Reserve to tighten monetary policy. The Fed next meets on November 13, after the US presidential election. *Michael Prouse, Washington*

## Canadian interest rates cut

The Bank of Canada yesterday lowered its key bank rate by a quarter of a percentage point to 3.75 per cent, bringing interest rates in Canada to their lowest level in almost 40 years. The cut came on the heels of a series of weak economic statistics accompanied by a stronger Canadian dollar in the past few weeks. The rate reduction quickly prompted Canada's six big chartered banks to lower their prime lending rates to 5.25 per cent from 5.50 per cent, the lowest level since early 1989. *Reuters, Ottawa*

## Brazil eyes multinationals

The Brazilian government sent a corporate tax bill to Congress yesterday designed to clamp down on tax avoidance by multinational companies and to increase cash flow from corporate income tax. The bill attacks the system of transfer pricing, by which multinationals can manipulate the prices of goods transferred between operations in Brazil and overseas in order to diminish local profits and hence their tax liability. It also reduces the base for calculation of income tax from one year to three months. Because payments are now made monthly, based on estimated earnings for the year, companies which underestimate their income may delay making corrected payments for more than 12 months. *Jonathan Wheatley, São Paulo*

## Mexican peso in sharp fall

The Mexican peso reached its lowest level of the year yesterday as investors bought dollars in the aftermath of the government's abandonment of a key privatisation. Midway through trading the peso stood at 7.80 to the dollar, a 1 per cent decline on the previous day's close. The fall came despite a 3.16 point overnight rise in the benchmark 28-day interest rate to 25.9 per cent. On October 7, the peso stood at 7.522. Traders said that the sell-off was largely a reaction to the administration's decision not to proceed with attempts to privatise a majority stake in parts of the petrochemical industry. *Daniel Dombey, Mexico City*

## Chilean power sale setback

The Chilean government suffered a setback this week when shortlisted potential buyers failed to bid for the state-owned electricity utility, Colbún. There was only one offer from among the six international consortia, and it was considered too low. Corfo, the state holding company, which is advised by the Kleinwort Benson, the UK merchant bank, had reportedly been looking to raise \$400m from the sale of a 37.5 per cent stake plus operational control of Colbún.

But Mr David Hurd, director at Merrill Lynch's Santiago office, said the premium the government wanted was too high. "Colbún has generating capacity of 525MW, so at that price the buyer would have been paying at a rate of \$1.5m per megawatt. But you can build new hydro capacity for \$80,000-\$90,000 per megawatt, so that the Colbún asking price would represent a 100 per cent premium for control, and entry to the central grid and the sector." *Imogen Mark, Santiago*

## Whisky tax to be examined

Chilean President Mr Eduardo Frei said yesterday his government would examine a modification of its tax regime that Britain argues discriminates against Scotch whisky producers. Britain had hinted it might take the case to the World Trade Organisation. UK officials said however that the dispute over the 70 per cent tax rate charged on scotch was the only important difference between the two governments.

"We are studying a modification of the law that would ensure it respects WTO rules," but also bearing in mind the interests of producers of the local spirit pisco. Mr Frei said at the end of a three-day visit to Britain. The visit included the signing of a memorandum of understanding with the UK financial regulator, the Securities and Investments Board, and its Chilean equivalent in the sharing of information. *Stephen Fidler, London*

# Menem rejects corruption claim

By David Pilling in Buenos Aires

President Carlos Menem yesterday vehemently denied accusations by Mr Domingo Cavallo, his former economy minister, that Argentina's justice system was corrupt and manipulated by the administration.

"It's a lie what he says... In Argentina, we have fully functioning democracy, freedom, justice and legal security," said Mr Menem. "Any dishonest judges have been sent to jail."

There was no evidence that the justice system had dragged its feet over cases of alleged misconduct involving members of his administration, said Mr Menem. "There's a lot of criticism of the justice system here that has no basis in fact."

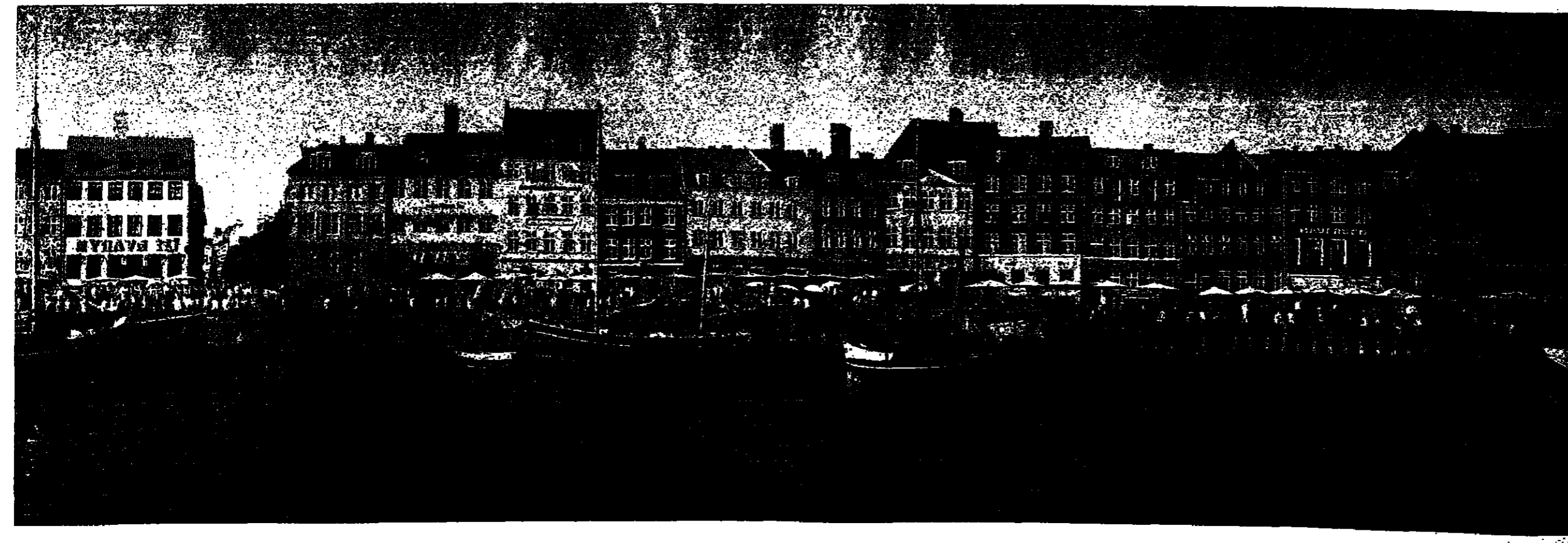
Mr Menem, who has been criticised for allowing corruption to fester within his administration, last week announced what appeared to be a change of course, saying he would put himself "at the head of the battle

against corruption". In particular, he promised to get to the bottom of massive fraud at the customs service.

Observers said the president's change of attitude may have been prompted by a desire to boost his flagging popularity and to steal from the opposition one of its main campaigning themes. But once the Pandora's box of corruption had been opened, they warned, the issue could become uncontrollable and engulf the administration as had happened in Italy.

Mr Cavallo on Tuesday accused Mr Carlos Corach, interior minister, of boasting that federal judges were under his thumb. Mr Corach had even written the names of the judges under his direct control on the back of a napkin, Mr Cavallo alleged.

Argentine courts have become a political battleground, with several officials appointed by Mr Cavallo facing trial. Most serious is a case involving IBM of the US and state-owned Banco Nación.



هكذا من النجمل



# BA accused of Japan Air Lines deal

By John Riddling  
in Hong Kong

Mr Richard Branson, chairman of Virgin Atlantic, yesterday opened a new front in the battle over the planned alliance between British Airways and American Airlines with a claim that the UK carrier planned to extend the partnership to Japan Air Lines.

The Virgin airline chief said he had written to the Office of Fair Trading in the

UK asking it to investigate. A vocal critic of the agreement between the British and US carriers, he warned that an accord with Japan Air Lines would consolidate the alliance and damage competition in the sector.

According to Mr Branson, Japanese ministry officials had told Virgin that they were aware of the proposed agreement with Japan Air Lines. "They admitted to us that they knew about it," he said. "They said why don't

you and ANA [Japan's second carrier] get together."

British Airways dismissed the claims. "No other agreements have been made or even discussed at this stage," said Mr Robert Ayling, its chief executive. "We have made no secret of the fact that we are trying to develop a global alliance. We have made an agreement with American Airlines. We have made no agreement with anyone else."

Japan Air Lines said it

often held talks with various airlines, but said its policy was never to comment on specific contacts.

The exchange came as both airline chiefs toured the region, outlining expansion plans and their aim of securing direct flights to Shanghai. The OFT in London is currently preparing to decide whether to refer the proposed alliance, announced in June, to the Monopolies and Mergers Commission.

"If British Airways tied JAL up as well as American then their dominant position becomes that much more dominant," said Mr Branson. He said he expected US and UK competition authorities to reject the planned partnership, warning of the damage to consumer interests.

Mr Ayling dismissed suggestions that British Airways might sacrifice slots at London's Heathrow Airport as the price for the alliance. Both airline executives

said they hoped to extend their companies' presence in the Asia-Pacific region. "There will certainly be growth in the market between Europe and Hong Kong and other parts of our international network," said Mr Ayling. Mr Branson said he was pursuing partnerships with Chinese carriers, although discussions were described as preliminary.

Air France links with US carriers, Page 15

## UK NEWS DIGEST

### Bank wins case on mine advert

The Advertising Standards Authority has reversed an earlier ruling and rejected a complaint brought by Midland Bank against an advertisement from Co-operative Bank which claimed that other banks had financed the supply of arms to Iran and Iraq.

The Co-op advertisement showed a land-mine and claimed that the Co-op, unlike other banks, did not finance such exports.

Midland, which was mentioned in the Scott report into defence equipment exports to Iraq in connection with exports of equipment such as ejector seat trainers and human centrifuges, complained that the advertisement unfairly and inaccurately implied that high street banks financed the sale of mines.

In its initial ruling, the ASA decided that Co-op had not substantiated the claims made in its advertisement. However when the Co-op appealed and supplied evidence that UK high street banks had been directly involved with some of the companies discussed in the Scott report, the ASA then reversed its decision.

George Graham

### ARGENTINE ARMS EMBARGO

#### Businessman claims breach

A British businessman who says he worked for the UK intelligence services has accused them of turning a blind eye to the reconstruction of the Argentine navy using UK-designed parts, in spite of the arms embargo imposed on the country. Britain has enforced an arms embargo against Argentina since recapturing the Falklands in 1982.

Mr Clive Russell, who is in hiding, claims in a documentary for Channel 4's Dispatches TV series, to be screened tonight, that he was "let down" by his spymasters in London. He says he decided to speak out after the arms-to-Iraq scandal which led to the Scott inquiry.

Mr Russell alleges that his controllers in London let him go ahead with the secret procurement of spare parts for the Argentine fleet, then did nothing to sabotage the project - which he initially assumed was London's aim.

The UK Foreign Office declined to confirm or deny the allegations, saying it avoids commenting on intelligence matters.

Bruce Clarke

### ENVIRONMENTAL CRIME

#### Minister vows to fight smuggling

Mr John Gummer, the UK environment secretary, yesterday vowed to lead a European fight against the smuggling of chlorofluorocarbon gases which are destroying the ozone layer.

Opening a seminar on environmental crime, Mr Gummer said the US, the only country to have caught and punished CFC smugglers, had warned Europe that it too was at threat from the illicit trade. CFCs, banned in the west under the 1987 Montreal Protocol, constitute the second biggest contraband to pass through Miami in the US after cocaine. They continue to be produced by Russia and are used for some commercial refrigeration in the west because they are cheaper than approved substitutes.

Mr Gummer said he would consult the next meeting of European Union environment ministers on how they might launch a co-ordinated fight against an emerging black market in the CFCs.

Leyla Boulton

### BARINGS COLLAPSE

#### Executive's bonus 'was not a right'

Ms Mary Walz, the former Barings senior manager dismissed over her role in the investment bank's collapse, had no contractual right to bonuses worth £500,000 (\$780,000), Mr Barry Underhill, representing the bank, told an industrial tribunal in London yesterday.

Ms Walz, the US-born former head of equity derivatives trading at Barings, is claiming a bonus from the bank for 1994. It was promised to her by Mr Andrew Tuckey, former deputy chairman of the group hours before the discovery of Mr Nick Leeson's hidden \$930m losses.

Representing Ms Walz, Mr Anthony Sendall said his client acquired contractual rights "once she was aware of the amount of the bonus and had been told the amount". The tribunal will conclude in about a month's time.

### ACCOUNTANCY

#### Row over self-regulation plan

The accountancy profession yesterday responded to public and government unease about self-regulation by proposing to set up a Review Board as a permanent watchdog to safeguard the public interest.

If approved by the governing bodies of the profession's six main associations, the new body, which would be owned by an independent foundation backed by the Bank of England and the Stock Exchange, would oversee 230,000 accountants.

However the announcement of the regulatory plan - based partly on the US Public Oversight Board - was overshadowed as it became plain at an ill-tempered launch that one of the profession's bodies had serious misgivings about the scheme.

The Chartered Institute of Management Accountants said the scheme was "overly complex" and doubted it would be seen as independent as it is likely to have to rely entirely on the profession for its annual budget of around £500,000 (\$780,000).

Jim Kelly

## Complete ban on handguns urged

By John Kampfer  
and James Buxton

The government came under pressure yesterday to ban handguns completely. This would go further than ministers' response to Lord Cullen's report into the massacre of 16 children at Dunblane primary school, announced yesterday, which would lead to the destruction of 160,000 handguns - 80 per cent of those legally held in the UK.

Several Conservatives yesterday indicated that they could not support the government's decision to exempt the ban on low-calibre weapons used in sporting gun clubs.

All owners of high-powered handguns would be required to hand in their weapons. Compensation would be awarded to them at second-hand market value. Officials estimated the cost at between £20m (\$31.20m) and £40m.

The exempted weapons - 22 calibre rimfire handguns - would have to be housed in clubs that meet strict security criteria.

Violation of the new rules, which could come into force by the end of the year, would carry a maximum penalty of 10 years' imprisonment.

Home Office officials said that between now and the legislation coming into force the government had no objections to gun owners selling their weapons to dealers, who could find a market for them in other countries.

Families of the 16 children killed by lone gunman Thomas Hamilton in Dunblane on March 13 called the government's proposals an "unacceptable compromise".

The opposition Labour party welcomed the broad thrust of Lord Cullen's 197-page report, and the government's response.

However, on the key issue of gun control it was joined by anti-gun petitioners, other parties and some Conservative backbenchers in calling on ministers to opt for a complete ban.

The government also accepted Lord Cullen's recommendations to increase school safety and the vetting of individuals working with children.

The measures on guns, which go well beyond Lord Cullen's suggestions, also include a ban, except specifically for deer shooting, on the use of expanding ammunition and severe restrictions on mail-order purchases of firearms.

## Fall in jobless points to strong growth

By Graham Bowley  
and Simon Kuper

A fall in UK unemployment last month to the lowest level for five and a half years, coupled with rising average earnings, raised concern yesterday that strong economic growth was fueling inflationary pressures.

The drop in the jobless total, the seventh consecutive monthly fall, will be seized upon by the government as further evidence

that the economy will grow strongly in the run-up to the election, expected next May. But the figures suggest that Mr Kenneth Clarke, the chancellor of the exchequer, may be forced to raise interest rates soon if he does not wish to alarm financial markets. The expectation that interest rates might rise soon yesterday pushed the pound to its highest level for 18 months on the foreign exchanges.

Sterling has now appreciated by almost 6 per cent since the start of August, due in large part to the signs of economic strength.

Separate figures yesterday showed public borrowing was worse than expected last month, suggesting the improving trend on the public finances may be faltering and casting fresh doubt on the government's borrowing forecast of £27bn (\$42.12bn) for this year.

The public sector borrowing requirement excluding

privatisation proceeds was £18.8bn in the first six months of the financial year compared with £20.1bn at the same stage last year. Borrowing for the whole of last year totalled £32.2bn.

The number of people out of work and claiming benefits fell by a seasonally adjusted 25,600 last month, the biggest monthly fall for almost two years, the Office for National Statistics said. The fall in the jobless total was double the drop expected.

Average earnings grew at an underlying rate of 3 per cent in the year to August, the fastest growth rate since spring 1993.

The pound closed higher on a trade-weighted basis against a basket of other leading currencies. It closed a fifth of a pennig down against the D-Mark at DM2.436 and three tenths of a cent up against the dollar at \$1.585.

## Sterling strength fails to shake optimism

### Economists argue rise is merely recovery

The UK economy has benefited over the past four years from the effects of a weak pound. But in the past three months sterling has appreciated sharply - driven by economic growth, rising oil prices and the UK's distance from the debate over European monetary union. Will sterling's rise hurt UK exports?

Most economists agree that yesterday's sterling levels of DM2.436 and \$1.585 are still too low to do much damage. Mr Jeremy Hawkins, chief economic adviser at the Bank of America in London, said: "As far as British industry's concerned, it can live with at least DM2.50 on sterling/D-Mark."

Economists argue that the pound's recent rise is simply

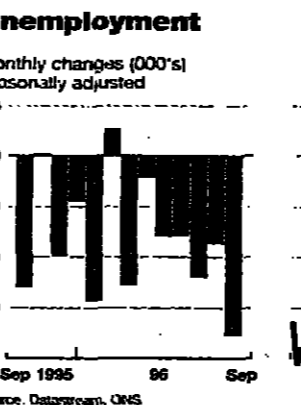
a recovery, regaining 62 per cent of the value it lost during 1994 and 1995. And since wage costs have risen only modestly, exports remain competitive. Also, the pound's value is only one factor among many influencing exports. Mr Robin Buswell, director of exports at the British Chamber of Commerce, said the economic recovery starting in Germany and France should outweigh any damage done to UK exports by the rising exchange rate.

Mr Sudhir Junankar, economist at the Confederation of British Industry, said exports were no longer the motor of the economy they had been in the first years of the recovery. Further, a strong pound would help

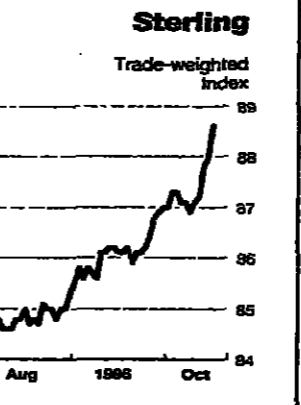
keep import prices low, curbing inflation and helping domestic business.

Currency strategists said the pound, which held steady in London trading yesterday, could keep rising against the D-Mark. "I think DM2.50 is likely sooner rather than later," said Mr Hawkins.

The pound's rise may suit Mr Kenneth Clarke, the chancellor of the exchequer, who cut interest rates earlier this year in response to the pound's strength and worries about its impact on manufacturing exports. He might use the appreciation as an argument against raising rates now, when there is a clamour - led by the Bank of England - for a tightening of monetary policy.



Source: ONS, ONS



Source: ONS, ONS

## Ex-BET chief wins £3m payout

By John Mason,  
Law Courts Correspondent

Mr John Clark, the former BET chief executive sacked after the company was taken over by Rentokil Initial, yesterday won about £3m compensation for unfair dismissal.

In the first court ruling on how executives with modern remuneration packages should be compensated for losing their jobs, the High Court ordered Rentokil to compensate Mr Clark for loss of salary, bonuses, pension rights and other entitlements.

Mr Clark, 55, said afterwards: "I am pleased with the outcome. The sums recovered represent what the court has held to be my strict entitlement under my contract and no more. I regret it was necessary to bring my claim to court."

Rentokil, which had admitted unfair dismissal but challenged the amount of compensation it should pay, is to appeal.

The company said: "This is an enormous amount of money. We originally made an offer to Mr Clark of under £1m which we considered fair and reasonable. This was in line with offers accepted by other BET directors."

Rentokil must also pay the legal costs of the case, thought to be some £800,000.

The judge, Mr Justice Timothy Walker, said that Mr Clark's three-year rolling contract with BET entitled him to compensation for loss of salary, salary increases of 10 per cent a year, bonuses of 50 per cent of salary, pension rights and other benefits. Mr Clark was not entitled to £2.1m he had claimed in "lost" share options.

## Government to renew health service support

By Nicholas Timmins,  
Public Policy Editor

The prime minister is poised to deliver the Conservative Party's most full-blooded commitment to the National Health Service in its 50-year history, just as health authorities warned yesterday that the NHS was "over-extended" and in need of an urgent £200m (\$312m) cash injection to avoid waiting lists and debt growing.

In legislation proposals due to be published on Monday week, Mr John Major will declare the NHS to be "part of the fabric of Britain", committing the government "wholeheartedly" to its "founding principles" and promising tax-funded growth in real terms.

The proposals, which the Financial Times have seen, reject arguments that an

aging population, medical advances and rising expectations are making the NHS unaffordable.

"Throughout its history, the NHS has found ways to accommodate the pressures on it, and there is no reason to doubt its ability to continue to do so," the paper, A Service with Ambitions, says. It underlines that the service will remain "universal in its reach, available to everyone who wishes to use it", high-quality, and provided on the basis of clinical need "without regard for the patient's ability to pay".

Not since Baroness Thatcher told a doubting public while she was prime minister in the 1980s that the NHS was "safe with us" have the Conservatives made such a wholehearted commitment.

The paper's aim appears two-fold. The first is to

achieve the ambition of Mr Stephen Dorrell, the health secretary, to make the NHS purely an issue for the opposition Labour party at the forthcoming general election, setting Labour's charge that the government's aim is "privatisation". The second is to tie a future Tory government to preserving the NHS.

But the government's vision of a modernised seamless, comprehensive service comes as the NHS issued its starkest warning yet of the financial pressures it is under.

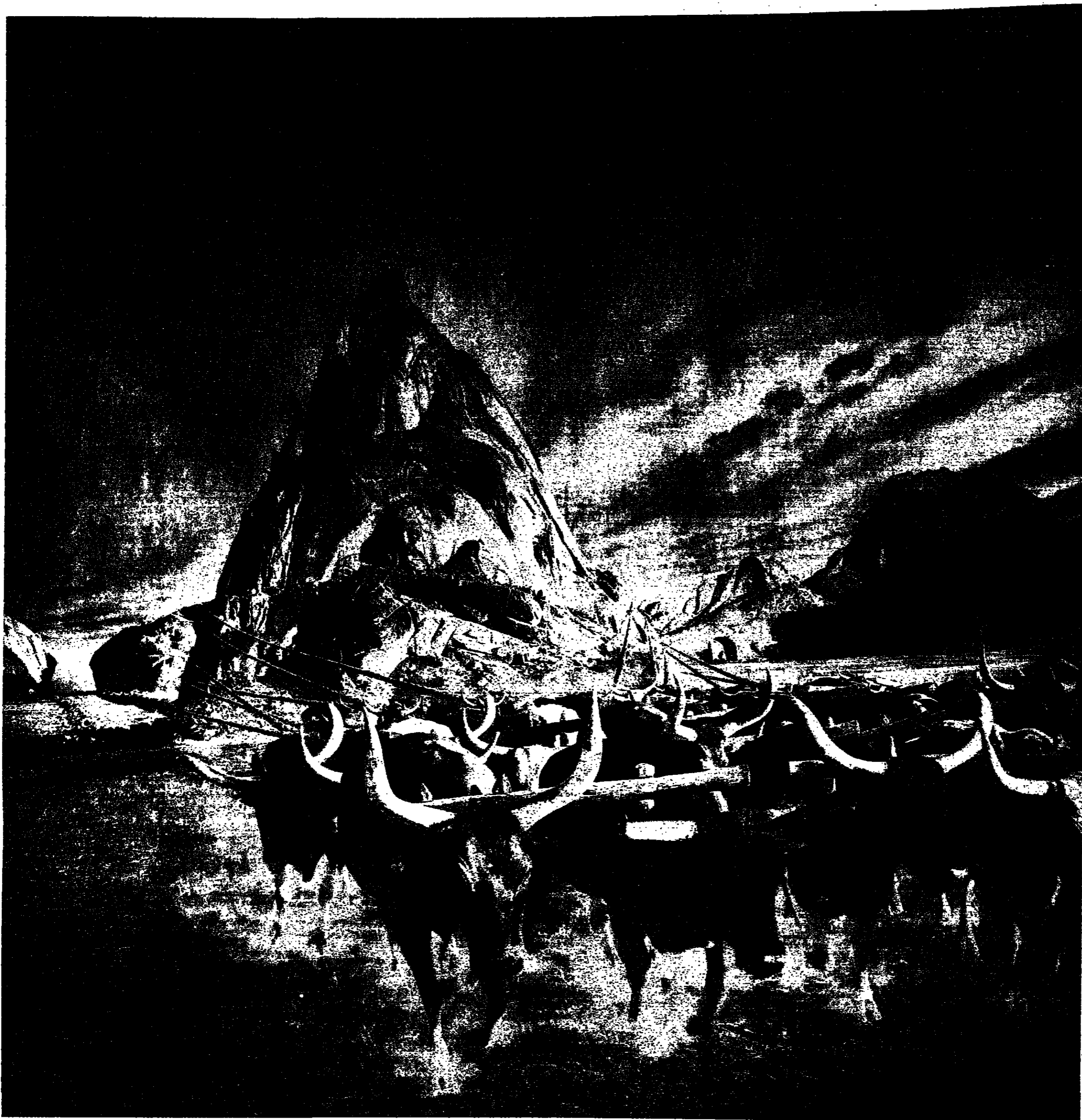
"The NHS needs a cash injection of at least £200m to cover its potential deficit and a real-growth increase of 3 per cent next year," the National Association of Health Authorities and Trusts said yesterday.

The paper's aim appears two-fold. The first is to



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of the latest Fortune Global 500 table revealed that Fortis had risen to 135th place. Clearly then, the chosen strategy is working and should be continued. A strategy which

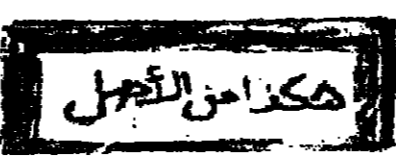
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ARTS

Cinema/Nigel Andrews

Love on the fairways

Tin Cup begins with a play-off for screen dominance between Kevin Costner and a passing armadillo. Since neither creature boasts much recent movie credibility...

answer would address such essay-length topics as the endangered status of screwball cinema and the dwindling human content in movie comedy.

- TIN CUP Ron Shelton
BOSTON KICKOUT Paul Hills
NOTHING PERSONAL Thaddeus O'Sullivan
DRAGONHEART Rob Cohen
TWO DAYS IN THE VALLEY John Herzfeld

Costner's hero at first seems a natural for category one: a garrulous backwoods golfer pro on a run-down driving range now more popular with the armoured-hedgehog species than with human customers.

Back on this side of that large water hazard called the Atlantic, Paul Hill's Boston Kickout and Thaddeus O'Sullivan's Nothing Personal do what these islands, in the age of Trainspotting and company, do best.

Midway through this film that plays like a rangier version of a Tracy-Hepburn comedy - uptight garrulous female meets homespun but equally garrulous male - I wrote in my notes, "What is a film like this doing in mid-1990s Hollywood?"

central character Phil (John Simm), though sensitive to the need to read the odd book or even snapshot the odd roadside deer, is too cowardly to disown his dubious peer group.

In Nothing Personal we are in a pre-cessant Ireland that may be a taste of post-cessant Ireland. Director O'Sullivan and writer Daniel Mornin, adapting his own novel, create a hell out of militant matter-of-factness.

Dragonheart, a medieval comedy-fantasy from Hollywood, has either been posted early to the UK for Christmas or sent by surface mail as a late-summer afterthought.

Naked, declaim and grimace to no great purpose in a drably photographed Slovakia. Sean Connery by contrast, ventriloquising the digitally conjured dragon who fights at our hero's side, suits noble voice to noble vision.

In a week switchbacking between the real and surreal, John Herzfeld's Two Days in The Valley is a bewildering comedy thriller.

That it could have been more incisive is shown by one collector's piece scene (at least for those who collect memorabilia of West Coast manners).



Real comic chemistry: Rene Russo and Kevin Costner in 'Tin Cup'

The Adventures Of Pinocchio (U, Steve Barron) and Alaska (PG, Fraser C Houston).

The boy with the polygraph nose loses out to the polar bear who rescues a pilot. The script must have had its pages shuffled.

rally from anything else, as we follow our all too wooden hero and his computer-created cricket friend, voiced by an unfunny Mel Brooks soundalike, through a thicket of blurry special effects and warring subtitles.

children and a polar bear tackle rivers, glaciers and Charlton Heston (as a grizzled peacher) to rescue a plane-crashed father. The characters end up hanging by their fingernails, while the audience's are happily bitten by the shrewdly built suspense.

Theatre/Sarah Hemming

The art of destruction

How pleasing it is to welcome a play about ideas into the West End. For Yasmina Reza's Art not only brings to the stage a topical debate, it makes it invigorating, touching and finally disturbing.

But, like the painting, the play is deceptive. Starting out as a comedy, raising easy laughs at the expense of abstract art, it gradually becomes darker and darker.

Finney, as the sceptical Marc, fills the stage as only Finney can. He plants himself before Serge's painting, squaring up to this assault on his values like a bull sitting up an opponent.



Ken Stott: a beautifully controlled performance

tour de force, but as his friends' destructive behaviour reveals to him the emptiness of his own life, he seems to cave in before your eyes, becoming the real casualty of the evening.

Theatre/David Benedict

'Missing' in Bosnia

All stories depend on who tells them, and to whom. Nowhere is this more crucial than in drama documentaries. Efforts to portray and reveal the truth of a real-life situation are all too often scuppered by the characters' point of view, or worst of all, authorial bias.

the people involved. There is no dramatic spin. Without disturbing the order of events, Kent merely edits the proceedings, and the result has all the appeal of courtroom drama with all its excesses expunged but its sobering power of reality. The effect is quietly shocking and shaming.

produce extraordinary accounts, like that of Colonel Karremans, the commander of the Dutch peace-keeping force, who appears alarmingly obsessed with missing flak jackets and helmets rather than the wider human issues. Military loyalty would seem to be the sole reason for the lack of direct action taken by the Dutch corporal who was aware of Moslems being taken out of the crowd and being killed at a rate of up to 30 an hour.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-6718345
● Netherlands Philharmonisch Orkest; with conductor Vassili Sinalski and pianist Garrick Ohlsson perform works by Grieg, Stenhammar and Sibelius; 8.15pm; Oct 19, 20 (2.15pm), 21

ANTWERP

EXHIBITION Openluchtmuseum voor Beeldhouwkunst Middelheim Tel: 32-3-8281350
● Tony Cragg: exhibition on the

occasion of the recent addition to the museum's collection of a work by the British sculptor; to Nov 24

ATHENS

CONCERT Athens Concert Hall Tel: 30-1-7282333
● Wiener Kammerorchester; with conductor Philippe Entremont and pianist Markus Schirmer perform works by Mozart and Haydn. Part of the European Festival of Orchestral Music; 8.30pm; Oct 18

BARCELONA

EXHIBITION Museu Picasso Tel: 34-3-3196310
● Picasso and the Linocut: this exhibition features 66 linocuts from the collection of the Museu Picasso. Between 1954 and 1964 Picasso devoted great attention to the linocut; to Feb 1

BERLIN

CONCERT Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Deborah Sasson, Gunther Emmerlich and Klaus Bender: the soprano, bass and pianist perform works by Mendelssohn, Weber and Mozart; 8pm; Oct 19

OPERA Deutsche Oper Berlin

Tel: 49-30-3438401
● Oedipus: by Enescu. Conducted by Lawrence Foster and performed by the Deutsche Oper Berlin. Soloists include Karan

Armstrong, Kaja Boris and Lenus Carlson; 7.30pm; Oct 18

BOSTON

EXHIBITION Museum of Fine Arts Tel: 1-617-267-9300
● Yousef Karsh: exhibition featuring approximately 120 photographs by Yousef Karsh who has portrayed many legendary figures of the twentieth century, including G.B. Shaw, Churchill, Kennedy, Einstein, O'Keefe, Hepburn, Rostropovitch, Hemingway and Auden; to Oct 20

CHICAGO

EXHIBITION Museum of Contemporary Art Tel: 1-312-280-2680
● Negotiating Rapture: a major loan exhibition featuring work by international contemporary artists, including Francis Bacon, Joseph Beuys, Lucio Fontana, Shirazeh Doushiary, Anselm Kiefer, Agnes Martini, Bruce Nauman, Barnett Newman, Ad Reinhardt and Bill Viola; to Oct 20

DUSSELDORF

CONCERT Tonhalle Düsseldorf Tel: 49-211-8992081
● Amadeus Chamber Orchestra of the Polish Radio; with conductor Agnieszka Duczmal and pianist Dorota Frackowiak-Kapala perform works by Bujarski, Zielenska, Gorecki, Lutoslawski

and Bacewicz; 11am; Oct 20

LEIPZIG

OPERA Oper Leipzig Tel: 49-341-1261261
● Der Fliegende Holländer; by Wagner. Conducted by Johannes Wildner, performed by the Oper Leipzig and the Gewandhausorchester. Soloists include Annelott Damm, Friedemann Kunder and Stefano Algieri; 7.30pm; Oct 18

LONDON

CONCERT Barbican Hall Tel: 44-171-6384141
● London Symphony Orchestra; with conductor Mikhail Pletnev, soprano Alexandrina Pendatchanska and Barbara Fritoli, tenor Gwyn Hughes Jones, bass Brian Bannatyne-Scott and the London Symphony Chorus perform works by Beethoven and Mozart; 3.30pm; Oct 20

WIGMORE HALL

Tel: 44-171-6352141
● Andreas Haefliger: the pianist performs Schubert's 3 Klavierstücke, D946, Sonata in A minor, D784 and Sonata in A, D959; 7pm; Oct 20

DANCE Royal Opera House - Covent Garden

Tel: 44-171-2129234
● The Royal Ballet: perform Frederick Ashton's La Valse to music by Ravel, Christopher Weeldon's Pavane pour une Infante Défunte to music by

Ravel, Kenneth MacMillan's La Fin du Jour to music by Ravel and Frederick Ashton's Daphne & Chloé to music by Ravel; 7.30pm; Oct 18

MUNICH

EXHIBITION Haus der Kunst Tel: 49-89-211270
● Grosse Kunstausstellung München: annual exhibition of contemporary art, organised by Munich artists. This year, the central theme of the exhibition is the interaction between painting and sculpture; to Oct 20

NEW YORK

CONCERT Carnegie Hall Tel: 1-212-247-7800
● The MET Orchestra; with conductor James Levine, pianist Murray Perahia and soprano Heidi Grant Murphy perform works by Mozart and Mahler; 8pm; Oct 20

VIENNA

CONCERT Konzerthaus Tel: 43-1-7121211
● Kronos Quartet: with pipe-player Wu Man perform works by Body, Benschhof, Phan, Partch, Ali-Zadeh and Dun. Part of the Wien Modern festival; 7.30pm; Oct 19

PARIS

OPERA Théâtre des Champs-Élysées Tel: 33-1 49 52 50 50

● Don Giovanni; by Mozart. Conducted by Jean-Claude Malgoire and performed by La Grande Écurie et La Chambre de Roy. Soloists include Danielle Borst, Sophie Fournier, Hubert Claessens and Patrick Donnelly; 7.30pm; Oct 19, 21

TORONTO

EXHIBITION Art Gallery of Ontario Tel: 1-416-979-6648
● Omar Ramsden: Masterpieces of English Silver from the Campbell Collection; exhibition of 23 works by British silversmith Omar Ramsden (1873 - 1939) from the collection of Vivian and David Campbell. The Campbell collection of Ramsden Silver is the largest in North America. The works date from Ramsden's early period and show the influence of the Continental Art Nouveau style, as well as the British Arts and Crafts Movement; to Oct 20

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17.30 Financial Times Business Tonight

CNBC:

08.30 Squawk Box

10.00 European Money Wheel

18.00 Financial Times Business Tonight

COMMENT & ANALYSIS



Peter Martin

Red flag for bulls

Young companies seeking an early flotation should be preceded by a clear warning signal as cars once were

Next month marks the 100th anniversary of one of the symbolic events in modern British history. On November 14 1896, a convoy of cars set off from London to Brighton to celebrate the end of the regulation that every automobile had to be preceded by a man carrying a red flag.

The event tends to be characterised as a spontaneous outpouring of jubilation, marking the first victory in the never-ending struggle between car-owners and government. In fact, as David Kynaston's history of the City of London (Chatto & Windus) points out, the occasion had different roots.

It was organised by Harry Lawson, one of the best known and least scrupulous company promoters of the day, and was - said The Economist at the time - "apparently designed much more with the view of attracting capital from the public for one or other of the motor car companies that have been launched, or are 'on the stocks', than purchasers for the vehicles themselves".

Some indication of Lawson's motives can be found in the history of his master company, the British Motor Syndicate, registered in 1895, which had floated its Daimler subsidiary early in 1896 - raising £100,000, of which only £80,000 went into working capital. The rest, presumably, found its way to the parent.

In November 1896, capitalising on the new era of automotive liberation, Lawson floated BMS, claiming it controlled "almost the entire motor industry in this country". The Financial Times pointed out at the time that the prospectus should itself be accompanied by a man with a red flag. Of the £3m being raised, £2.7m was to go to the vendors (including Lawson); only £300,000 was to reach the company as work-

ing capital. "Why are all material figures suppressed?" asked the FT. "A pictorial supplement accompanies the prospectus, of a character that may amuse a child but will certainly do little to convince a would-be shareholder."

These flotations, both of which ended in tears, were just two of Lawson's misadventures. But the story is more than a mere period curiosity. The broader issue is summed up by Kynaston's question: "Did it matter that by far the most important financial intermediary in the early history of the British motor-car industry was a crook?"

Yes, it did, says Kynaston: the early car companies were left with a severe shortage of working capital. Perhaps more serious was the legacy of profound mistrust between the car industry and the City, which saw it as an unworthy home for capital. "How different it would have been if, say, one of the leading merchant banks had perceived the implications of the transport revolution that was at hand and acted as responsible financial midwife."

This is where the story becomes of direct contempo-

rary relevance. Although most of the market abuses which Lawson perpetrated have now been outlawed, the tradition of early and optimistic flotations persists in Anglo-Saxon economies. Indeed, new junior stock markets such as Aim, Ofex and Easdaq seek to make early flotations easier. The procedures by which companies are brought to market may be more rigorous than 100 years ago, but the mood of the times - in computer software, say, or biotechnology - gives rise to an extremely mixed bag of ventures. Some will prove just as flaky as the early British car companies.

Does it matter? On the face of it, the answer is yes. Just as in the 1890s, early flotation may well produce undercapitalised competitors: it leads to erratic access to finance as whole sectors swing in and out of favour with investors. It is wasteful and unpredictable, rewarding good timing and luck rather than technology or business acumen. But the counter-argument is also a strong one. These drawbacks are just the price that Anglo-Saxon economies pay for the creative ferment unleashed by early access to

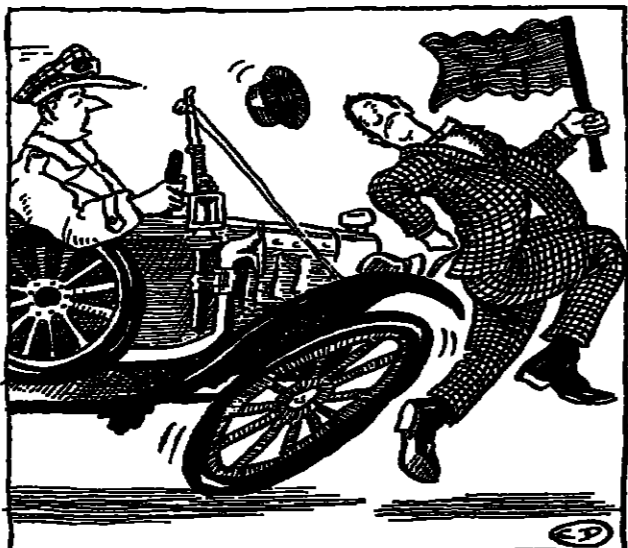
the equity market. Growth is a messy business; life is unfair. Better to have 100 flaky innovators, some of which will survive, than a handful of well-capitalised dinosaurs.

After all, in the case of cars, Britain went on to produce several strong car companies despite the early setbacks: Austin, Morris, Rootes, Rover, Rolls-Royce. The collapse of the British car industry in the 1960s and 1970s stemmed from industrial mismanagement rather than tensions between finance and manufacturing industry.

The real lesson from the car flotations a century ago is about who handles the flotations. In those days, the City was almost entirely focused on international business: sovereign bond issues, American railways and mining. The flotation of domestic companies was left to fringe promoters - at best over-optimistic, at worst outright crooks.

Since then, the City has acquired more of a domestic focus. However, the initiative in early flotations still lies with smaller houses. Even specialist venture-capital groups have, with few exceptions, preferred to finance changes of ownership or management at existing companies rather than backing start-ups.

The lasting conservatism of the City is scarcely surprising. Bringing recently formed companies to market inevitably produces some failures; few big investment banks are likely to welcome the damage to their reputation that would be caused by a few well-publicised disasters. Smaller houses will continue to play a leading role. That imposes on investors a need for closer scrutiny when new ventures are brought to market. Perhaps, as the FT said a century ago, some prospectuses should be preceded by a man with a red flag.



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "fax"). e-mail: letters.editor@ft.com. Published letters are also available on the FT web site: http://www.ft.com. Translation may be available for letters written in the main international languages.

Emu: ever sharper divisions as the debate gathers pace

From Mr Keith Richardson.

Sir, Your courageous leading article "New money for Europe" (October 14), following the two carefully argued pieces by Martin Wolf (October 1 and 8), will no doubt trigger off a storm of criticism. May I only invite your readers to distinguish between strategy and tactics.

The strategic issue is this. Monetary union is clearly recognised by most of European industry and by most European governments as an essential complement to the single market, an essential step towards greater competitiveness in world markets, and thus an essential component in any policy directed towards long-term job creation.

Like any other bold venture, it has required much gritting of teeth and stiffening of sinews by political leaders. But it is now extremely likely to go ahead and over time to give the European economy the strongest boost we have seen for some years. Emu will change everything, and those who are in will stand to reap substantial benefits. European industry certainly hopes that British voters will decide to join their number, not least because British attitudes towards liberalisation and deregulation are precisely what Europe now needs in order to maximise the benefits of Emu.

The tactical issues are many and varied. Of course we have to find ways to make sure that monetary union sticks. The machinery for doing this is not fully in place and the stability pact will have to be developed into the strongest possible guarantee against governments returning to their bad old habits. The diversity and flexibility of Europe will have to be fostered, and no doubt arguments about the legislative programme will go on till the end of time.

But the evidence is that governments everywhere have understood this lesson, at least in outline. The tide of social Europe is receding. Innovation is what creates jobs, over-regulation is what destroys jobs, and more of one and less of the other is where Europe is now heading.

The chance for Britain to exercise solid influence on this expanding market of 360m people will be worth far more than the illusory joys of isolationism.

Keith Richardson, secretary-general, The European Round Table of Industrialists, Avenue Henri Jaspas 113, 1050 Brussels, Belgium

From Sir Donald MacDougall.

Sir, Your leader of October 14 makes an excellent contribution to the debate on Emu. However, though "pro-European", I do not believe Europe is ready for a single currency.

Countries are bound to get into a situation where chronic high unemployment and stagnation can only be avoided, given the still limited flexibility of money wages downwards, by exchange rate adjustments - which I believe can be effective.

Since these are impossible in Emu, the only possible remedies would be (a) large-scale migration from high- to low-unemployment countries, the scope for which is very limited - far less than in, for example, the US, and (b) large fiscal transfers between countries.

These, as you point out, take place between more and

less prosperous regions in nation states through their budgets (and in other ways) but they are politically not on at present between European countries on an adequate scale.

You claim that a more effective remedy is greater flexibility in labour markets, but fail to explain how the major transformation needed is to be brought about.

Thus a single currency now would, before long, cause serious tensions between countries, and it will only be safe to introduce Emu when countries are far more willing to help each other.

Meeting the largely financial Maastricht criteria in the near future - even if modified and supplemented by "real" criteria - is not therefore a sufficient condition for introducing Emu. We should also have to be confident that convergence would persist over a long period. This

From Mr Rod Barrett.

Sir, Your leader stimulating debate on Emu is welcome but your conclusion is wrong. I oppose joining Emu because:

● There is no compelling argument for economic benefits that can only be achieved inside Emu.

● Linking irrevocably with Europe would further distance the UK from the engines of growth in the world economy, tying it to a star whose light has already faded. Whatever the arguments for a united Europe in 1946, it is now 50 years too late.

● The strong will driving Emu is that of politicians and administrators (particularly, as you say, in France and Germany) rather than that of an overwhelming majority of the people of Europe. An educated public has no reason to accept their motives, wisdom or ability; it demands less imposition

But those companies also recognise there is growing political momentum driving the Emu project. Whether in favour or against, they know it would therefore be folly, from a business point of view, not to take the prospect seriously and fail to prepare for it.

The need everywhere is for informed, open and level-headed debate and discussion about the single currency, its implications and how to prepare for its introduction. All business organisations, both national and European, bear a heavy responsibility in promoting such discussion among their members, to ensure that the process of transition is as smooth and cost-effective as possible.

Zygmunt Tyszkiewicz, secretary-general, Union of Industrial and Employers' Confederations of Europe, rue Joseph II, 40, 1000 Brussels, Belgium.

From Mr Frank Blackaby.

Sir, The debate in the UK about Emu is curiously shortsighted. In the past three years, the UK has done better on unemployment than France or Germany by beggar-my-neighbour policies - a combination of devaluation, low pay, and "flexible" labour policies which allow employers to do what they like. Many Eurosceptics believe the UK can stay in the EU and carry on in the same way.

A state can only get away with beggar-my-neighbour policies if the neighbours are prepared to accept being beggared. France and Germany have made clear that they are just not going to accept an arrangement by which an EU country outside the single currency becomes a kind of cut-price offshore trading station.

Frank Blackaby, 9 Pentman Road, London SW8 1LD, UK

From Mr M. Gainsborough.

Sir, Mr Melville-Ross (Letters, October 15) cannot so easily dismiss past history when criticising your leader about European monetary union. Since the end of the second world war the UK has neither been noted for its economic success nor for its ability to maintain the value of its own currency. If this is a sign of the success of British economic and monetary sovereignty, give me the euro any day.

A few years of reasonable economic performance by the UK cannot be judged on its own without regard for the past 50 years of dismal performance.

M. Gainsborough, 2 East Cottages, Boyton, Woodbridge, Suffolk IP12 3LW, UK

From Mr Alan Tomlinson.

Sir, Does the person who wrote your editorial "New money for Europe" really believe that "the prize is a Europe of sovereign states"? By all means, even at this late stage, let us have an open debate about Britain's future relationship with its European neighbours, but let it be an honest debate.

The only credible position for the single currency enthusiasts is to acknowledge it as the first step on the road to a federal Europe. To try to pretend otherwise is at best naive and at worst downright dishonest.

Alan Tomlinson, Uchiya 7-3-10-212, Urawa-Shi, Saitama-Ken, Japan



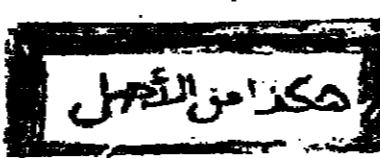
Advertisement for luxury apartments featuring 'INVESTMENT OPPORTUNITIES' and 'COBALT' properties. Includes a map of the area and contact information for Galliard Homes.

France feels the squeeze. From Mr Geoffrey Maynard. Sir, In one of his customarily penetrating analyses of the economic scene ("Reasons to be cheerful", October 15), Martin Wolf points to the high real interest rates suffered by France and the underlying reasons for them. But he fails to emphasise what is probably the most important of these.

A code for globalisation. From Mr Denis MacShane MP. Sir, The welcome news that C&A and other garment retailers are to discuss a code of conduct about child labour and poor working conditions in their UK operations ("Retailer urges clothing industry probe", October 4) prompts me to ask why the government is so opposed to permitting the World Trade Organisation to set up a working party to discuss similar issues at its ministerial meeting in Singapore in December.

France would not accept a depreciation of the French franc and the Bundesbank was reluctant to accept a rise in German inflation. Hence French inflation had to be forced down below German inflation, necessitating a temporary (but still prolonged) rise in French real interest rates.

Geoffrey Maynard, Investor International, Investcorp House, 49 Grosvenor Street, London W1Y 6DH, UK



COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Thursday October 17 1996

The French connection

The French government's unexpected decision to award the Thomson group to Lagardere, rather than its bigger rival Alcatel, seems sensible enough in immediate terms. Thomson's defence business will go to an existing defence contractor, rather than to a French industrial champion with nebulous plans to combine defence electronics and telecoms. Thomson's persistently loss-making consumer electronics business will pass from French hands to Daewoo of Korea, which will surely make a better job of it.

NHS history

The government's forthcoming white paper on the NHS, detailed in the FT today, is an intelligent document. Short on hard policy, it nonetheless paints a credible vision of an improved NHS of the future. It rejects, vigorously, the view of the Jeremiahs that the service will become increasingly unaffordable. And it blazes the undoubted personal commitment of both the health secretary and the prime minister to the preservation and improvement of the service.

Investment pact

The normally cautious secretariat of the World Trade Organisation has upset some members by proposing that it should negotiate a new multilateral agreement to cover international direct investment. It has a strong case. Foreign direct investment has grown rapidly from \$60bn in 1985 to an estimated \$315bn last year. The stock of this investment now exceeds the value of world trade in goods and services, last year, estimated at \$6,100bn.

Will there be enough food to go round?

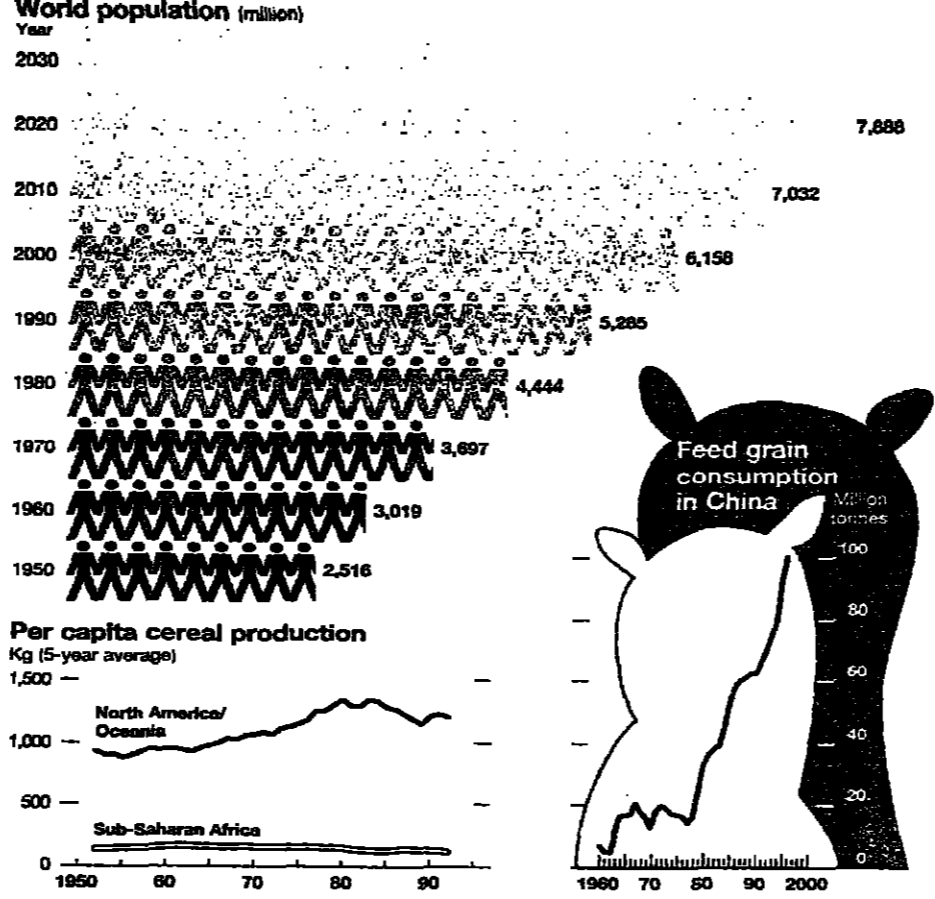


Table with 5 columns: Region, Daily calorie supply as % of requirements, Fertiliser use, Average yield around 1990, Projected yield in 2020 based on 1981-93 increment.

The wheat from the chaff

Alison Maitland sifts the scientific and statistical arguments over whether the world will be able to feed itself in the next century

With just over three years to the millennium, the prophets of world food doom are in full cry. They warn the next generation faces an unprecedented food crisis, with the earth's population projected to soar by more than 50 per cent to 8.8bn by 2030. After last year's bad harvests sent world grain stocks to a 20-year low, the pessimists have been calling for fundamental changes in eating habits to divert foodstuffs from the rich to the poor.

OBSERVER

UK back on target?

British banks may have a new secret weapon in their fight to ensure they get full access to the planned Target system for cross-border payments in euros even if the UK says no to monetary union.

Pedro's party

Stand by for a delicious reminder of the excesses of the 1890s as Portugal's answer to American junk bond king Michael Milken goes on trial this week for allegedly swindling a posse of 48 of his clients.

Eurobash

Some spirited German-bashing is promised at this weekend's seaside gathering for Britain's fed up and famous staged by Sir James Goldsmith.

Think again

Russia's aviation workers no doubt have a point. They are incensed at Aeroflot's plans to buy 10 Boeing 737 mid-range airliners to replace elderly Tupolevs.

Sniffy test

A woman flying in from Colombia was stopped by officials at Madrid and asked if she could define the difference between Gothic and Romantic art.

100 years ago

Neutralisation of Denmark Copenhagen: The Folketing yesterday commenced the debate upon the Budget. In the course of the discussion, Baron de Rudtz-Thott, the Premier, said: "All parties are united in desiring the neutralisation of Denmark, but the Government has had no occasion to take steps with this object, because the general tendency of the world has been peaceful."

50 years ago

Malayan Tin Industry Of the twin primary Malayan industries, rubber is rapidly regaining its pre-war health and vigour. For tin, however, in view of the more complicated machinery and methods required in its production, the period of rehabilitation is likely to be lengthier.

Right to strike

It was a strange collection of newspapers that appeared yesterday in France in defiance of the widespread strike by hacks protesting against the abolition of their special 30 per cent income tax rebate.

Explosions in the Rand

Cape Town: Several dynamite explosions have occurred lately in the Rand mines, by which several lives have been lost. In an explosion in New Kleinfontein Mine five Europeans and 15 natives were suffocated by the fumes.



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## Japanese company in supercomputer suit NEC hits back at US on anti-dumping claims

By Michio Nakamoto in Tokyo

NEC, the Japanese electronics company, has filed a suit with a New York federal court, claiming that an anti-dumping investigation into the company has been prejudiced by fabricated information from the US Commerce Department.

In an unusually aggressive counter-attack by a Japanese company, NEC has asked the Court of International Trade to suspend the commerce department's anti-dumping investigation until an impartial adjudicator can be appointed.

The dumping charge against NEC was made by Cray Research of the US, which competed with the Japanese company in a \$35.15m contract to supply a supercomputer system to the University Centre of Atmospheric Research in Colorado.

The deal, which would have been the first purchase of a foreign supercomputer by a US

government agency, has been suspended while the commerce department investigates.

This is the second time in a fortnight that a commerce department anti-dumping investigation has been called into question.

In a similar case, Italian pasta producers last week appealed against anti-dumping duties, contending that the investigation was "mathematically flawed" and based on old data.

Cray's move to block the purchase of the NEC supercomputer, and the role of the commerce department, have caused concern in Japan.

Washington's efforts to encourage Japanese government agencies to buy US-made supercomputers have led to the sale of 12 US supercomputers to Japan, but this first reciprocal purchase by the US has become the subject of heated debate.

Mr Ryutaro Hashimoto, Japanese prime minister,

expressed concern over the matter at a bilateral summit in September.

NEC alleges in its lawsuit that commerce department officials drew up a dumping analysis "in complicity with Cray" which was used to buttress its case even before Cray filed its dumping charges.

NEC says it suspects that sensitive information provided to the department may have been leaked to Cray.

Although NEC tried on many occasions to explain its case to the department, it was not allowed to do so, the company says.

A spokesman for Cray Research yesterday said there was no merit to the allegation that the commerce department acted improperly, and they believed NEC was trying to avoid giving data to the Department of Commerce.

"They are using a lot of rhetoric to avoid the substance of the issues," the spokesman said.

## Daimler weighs in-house merger with Mercedes

By Wolfgang Münchau in Frankfurt

The board of Daimler-Benz is considering far-reaching changes to the company's structure in order to cut management layers, give top managers more direct control and increase shareholder value.

The reshuffle, which is likely to involve redundancies, may lead to an in-house merger with Mercedes-Benz, the company's car and truck unit - an option favoured by a majority of Daimler's board.

A formal decision on the reorganisation, discussed at a board meeting in Stuttgart yesterday, is expected before the end of the year.

Daimler-Benz has operated as a holding company, responsible for the allocation of financial resources between subsidiaries. It also defined corporate strategy and dealt with group administrative tasks. Day to day management

issues, however, have been decided by the subsidiaries, which have their own management and supervisory boards.

Details of the reorganisation have yet to be decided, but it appears Daimler has earmarked Mercedes for the merger because the unit represents about 80 per cent of the company's business volume.

The shake-up will not affect other subsidiaries, such as Dasa (Daimler-Benz Aerospace), the aviation and defence group, and Debis, the financial services and information technology subsidiary, which are expected to remain as separate entities.

The current holding structure dates to the late 1980s when then chairman, Mr Edzard Reuter, planned to turn Daimler from a luxury car-maker into an "integrated technology" group.

Mr Jürgen Schrempf, who took over as chairman in May last year, shifted the compa-

ny's focus back towards its motor car roots and cut the number of business units from 35 to 25, but the current corporate structure was seen as unwieldy.

Such a reorganisation would strengthen Mr Schrempf's position and raises questions about the future of Mr Helmut Werner, the Mercedes chairman, who was seen as a rival to Mr Schrempf for the top job. One option is for Mr Werner to be deputy chairman.

A reorganisation could expand Daimler's board from seven to 10 or 12 members to accommodate the most senior of the 10 Mercedes board members. Among those most likely to end up on Daimler's management board, apart from Mr Werner, are Mr Jürgen Hubbert, head of the passenger car division, and Mr Kurt Lauk, recently appointed as head of commercial vehicles.

See Lex

## Brussels hedges on deficits rule

Continued from Page 1

leagues of possible adverse German reaction, according to an observer. But other commissioners argued for a less rigid approach to take into account national circumstances and the right of national parliaments to set budgetary policy.

The Commission proposed an initial fine of 0.3 per cent

of GDP for Ecu members running excessive deficits, with an additional 0.1 per cent of GDP for every percentage point by which a country's deficit exceeds the Maastricht target. However, Mr de Silguy noted that the first sanction would be a non-interest-bearing deposit and the sanction would only begin to bite two years after submission of the national budget.

The proposed stability pact will be discussed by EU finance ministers at a meeting in early November, with a final agreement planned to coincide with the EU summit in Dublin in December.

The decision to leave open a crucial aspect of the stability pact's terms overshadowed agreement on new rules governing the legal status of the euro.

## Directors say London will suffer if UK stays out of Emu

By Gillian Tett and Peter Marsh in London and Andrew Fisher in Frankfurt

Frankfurt would displace the City of London as Europe's leading financial centre if the UK stayed outside European monetary union, a survey of European finance directors says.

More than 60 per cent of the 500 European finance directors surveyed by UK property group Healey and Baker believed Frankfurt would become the main European financial centre within the next five years if the UK opted out of a single currency.

A majority also believed London would build on its dominant position if the UK joined Emu.

The survey results were published as the chairman of one of the UK's largest manufacturers warned that inward investment was also at risk if the country stayed out of Emu.

Britain would be "far less appealing" to foreign investors if it opted to stay out, Mr Wolfgang Reitzle, chairman of Rover, UK subsidiary of BMW, told a conference in London on industry in Germany and Britain.

The survey findings represent a shift in views. Between 1991 and 1995 the results showed a belief that London would remain pre-eminent whatever happened.

Mr Reitzle's comments and the survey will provide fresh ammunition to the UK pro-European political lobby, which argues Britain must not rule itself out of Emu.

The Bank of England and banking groups have worked to convince businesses that London's future will be strong irrespective of Emu. The UK-based Centre for Economic and Business Research will forecast this week that London's economy should enjoy annual growth of 4 per cent in the coming years.

Nevertheless, Mr Michael Cassidy, of the Corporation of London, the City's local authority, warned against complacency. "This survey shows a dramatic change in expectations - it should ring alarm bells," he said.

The survey is likely to reinforce German bankers' expectations that Frankfurt is well placed to benefit from Emu.

Recent moves by the German government, the Bundesbank and the Frankfurt stock exchange to strengthen securities trading have been made with Emu partly in mind.

The Healey and Baker survey found that 18 per cent of companies thought London would be pre-eminent if it stayed outside Emu, compared with 54 per cent who cited Frankfurt, and 8 per cent who nominated Paris.

### THE LEX COLUMN

## Defensive French

The French government's claim to have chosen the best industrial partner for Thomson should be taken with a pinch of salt. True, Lagardère and Thomson both have big defence businesses; Alcatel Alsthom, the other suitor for the state-owned electronics group, does not.

The snag is that the planned merger will involve vertical integration - marrying Thomson-CSF's defence electronics with the missiles and satellites of Lagardère's Matra unit. This is not bad in itself. But it does not offer the same scope for cost savings as the horizontal integration which would have followed a successful Alcatel bid; it was planning to put Thomson-CSF into a large joint venture with Britain's GEC-Marconi, with which there is great overlap.

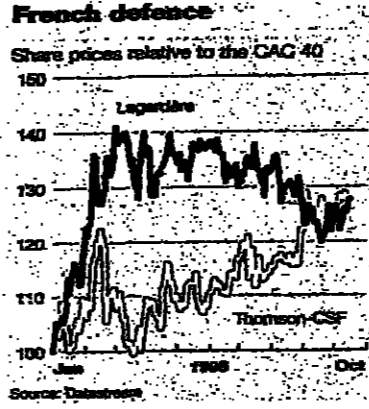
Such large European cross-border mergers may now be hard to engineer. The government has chosen the Franco-French solution: the combined Thomson Matra will still form joint ventures with other European groups, but these will struggle for the economies of scale needed to compete with the largest US defence groups. This is particularly bad news for GEC, which may now be forced to reconsider the Anglo-British option of a merger with British Aerospace.

Lagardère, by contrast, is sitting pretty. The government will write off FF11bn (\$2.16bn) of Thomson's debts. Add in Thomson's tax losses and the FF7.5bn or so the state will pay for Thomson's stakes in Crédit Lyonnais and SGS-Thomson and the total package is worth around FF7.2bn. The European Commission, which is notoriously weak on policing state aid, will probably turn a blind eye on the grounds that defence lies outside the Treaty of Rome. But, in fact, the subsidy is needed to recapitalise Thomson Multimedia, Thomson's consumer electronics arm, so that Lagardère can then sell it to Korea's Daewoo.

Despite this largesse, Lagardère has still had to show remarkable financial ingenuity, given its small balance sheet. One clever twist will be to guarantee to compensate Thomson-CSF's minority investors if their shares fall below the level of its planned cash bid. That should ensure few actually take the FF7.5bn on offer.

When the process is finished, Lagardère will have swapped 100 per cent of a middling defence business and a cash pile for 60 per cent of a large defence business and a bit of debt. Not only should the deal

FTSE Eurotrack 200: 1821.1 (-5.9)



true of the French government which owns the company. After all, the victims of its protectionist stance are its own air-travelling citizens.

### Daimler-Benz

Daimler-Benz's restructuring is entering a new phase. Having returned to profit and slimmed from 35 businesses to 25, the group is preparing to merge the Daimler board with that of Mercedes, its main subsidiary. This will cut bureaucracy and costs. As importantly, it underlines Daimler's shift from grandiose 1980s conglomerate back to a more focused car and truck maker. And it strengthens Mr Jürgen Schrempf, Daimler's dynamic chairman, at the expense of Mr Helmut Werner, the old-style Mercedes chief. For shareholders this is all good news.

### Sterling

Talk of sterling as a safe haven should be sufficient provocation to alert even the most complacent. A currency whose trade-weighted value has fallen by 2.3 per cent a year for a decade is not an obvious refuge. But with the Bundesbank sanctioning a weak D-Mark, other currencies are in favour. Now sterling is enjoying its turn, rallying 10 pence against the D-Mark over the past month.

Interest rate differentials have been the most important cause. While the outlook for sustained low rates in most leading economies has improved recently, markets are expecting a 40 basis point rise in short-term UK rates by next March. Moreover, UK growth is stronger than in the rest of Europe and the current account is healthier than expected. The oil price has also jumped to \$25 a barrel from \$18 a barrel in two months, re-asserting sterling's petro-currency status.

Meanwhile, fears that the government might try to buy an election victory have abated. On European monetary union, the market believes it enjoys a win-win situation: if the UK stays out, investors will be attracted by flexible labour markets. If it goes in, UK assets will enjoy a "convergence" rally. The pace of the current move cannot be sustained; but so long as the dollar stays firm and the D-Mark remains weak, most of the gains appear safe.

Additional Lex comment on UK accounting, Page 22

**FT WEATHER GUIDE**

**Europe today**  
Central Europe will have plenty of rain as low pressure moves in from the Adriatic towards southern Scandinavia. The Adriatic and Alps will have heavy showers and some thunder. Western Europe will be cool with frequent showers. North-west Spain and northern Portugal will be cloudy. The rest of Spain and Portugal will have sunny spells. Turkey and the area around the Black Sea will have sunny spells. Temperatures will exceed 25C in the Middle East and on the south coast of Turkey.

**Five-day forecast**  
North-west Europe will be unsettled as westerly winds bring cloud and rain. Temperatures will rise gradually. Southern Europe will be calm and mainly dry.

**TODAY'S TEMPERATURES**

Abu Dhabi	Maximum 32	Beijing	cloudy 18	Cairo	cloudy 18	Caracas	showers 22	Frankfurt	sun 23	Madrid	sun 19	Rangoon	fair 33
Accra	sun 35	Berlin	rain 12	Chicago	cloudy 21	Casablanca	sun 23	Geneva	showers 10	Majorca	sun 20	Reykjavik	showers 25
Algiers	fair 23	Bombay	rain 25	Cologne	cloudy 12	Dallas	sun 23	Glasgow	cloudy 12	Manila	sun 31	Rome	showers 19
Amsterdam	cloudy 14	Bogota	cloudy 18	Dakar	fair 32	Hankow	showers 12	Hamburg	showers 12	Malbourne	sun 18	S. Frisco	fair 24
Athens	showers 25	Bombay	sun 35	Dallas	fair 32	Helsinki	cloudy 8	London	cloudy 8	Mexico City	sun 28	Singapore	showers 32
Atlanta	fair 28	Brussels	fair 13	Delft	sun 32	Hong Kong	sun 26	Miami	sun 31	Montreal	rain 29	Stockholm	rain 12
B. Aires	showers 23	Budapest	rain 17	Dubai	sun 38	Honolulu	showers 31	Milan	sun 31	Montreal	rain 14	Strasbourg	rain 11
B. Ham	cloudy 14	C. Hagen	rain 13	Dublin	cloudy 13	Isarabai	showers 32	Moscow	showers 32	Osaka	sun 4	Sydney	rain 24
Bangkok	showers 35	Cairo	sun 30	Dubrovnik	thund 18	Jakarta	showers 32	Nassau	showers 15	Paris	rain 23	Taipei	sun 30
Barcelona	fair 19	Cape Town	sun 28	Edinburgh	cloudy 13	Jersey	showers 15	Nairobi	sun 36	Perth	sun 21	Tokyo	sun 21
						Karachi	sun 30	Naples	sun 25	Prague	rain 10	Toronto	thund 21
						Kuala Lumpur	sun 30	Los Angeles	sun 25	Seoul	sun 22	Vancouver	rain 10
						L. Angeles	sun 25	Las Palmas	sun 28	Singapore	sun 32	Verona	rain 18
						Lima	sun 30	Nice	showers 17	Vienna	rain 18	Warsaw	drizz 17
						Lisbon	cloudy 21	Nicosia	sun 25	Washington	sun 28	Wellington	sun 26
						London	cloudy 10	Paris	rain 12	Wellington	sun 28	Whangpang	rain 15
						Luxembourg	cloudy 10	Perth	sun 21	Zurich	rain 7		
						Lyon	showers 11	Prague	rain 10				
						Madrid	fair 24						

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

No global airline has a younger fleet.

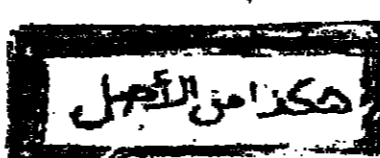
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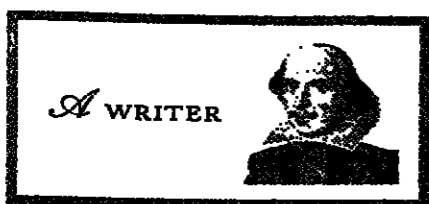
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FINANCIAL TIMES COMPANIES & MARKETS

Thursday October 17 1996



IN BRIEF

Time Warner revenues jump

Time Warner, the US entertainment and media group, reported a 32 per cent leap in revenues to a record \$964m in the third quarter...

OTE shortlists nine mobile bidders OTE, Greece's state-owned telecoms company, has shortlisted nine of 16 international bidders for a controversial Dr120bn (\$498m) project...

Suez rebounds to FF772m in first half Suez, the French financial and industrial holding company, reported profits of FF772m (\$122m) for the first six months of the year...

Investors braced for UPM-Kymmene When United Paper Mills and Kymmene, two of Finland's leading forestry groups, last year merged to form UPM-Kymmene...

US drugs groups show strong growth Merck and Johnson & Johnson, the US pharmaceutical groups, maintained double-digit revenue growth in the third quarter...

Japanese builders' hidden losses soar Hidden losses on property holdings at 72 of Japan's general building contractors are estimated to have grown more than 85 per cent...

Bakun to list in Kuala Lumpur Bakun Hydro-Electric Corp, which is to develop and operate south-east Asia's biggest dam, has won approval from the Malaysian government...

Delays raise Kennecott smelter costs Kennecott Corporation, the US subsidiary of RTZ-CRA, the world's biggest mining group, admitted that delays to its new US smelter-refinery project have pushed up costs by 14 per cent...

Companies in this issue

Table listing companies such as AT&T, Air France, Alcoa, Alcatel, Amasco, America Online, American Airlines, Angren, Astra, BA, B&E, BSN, BT, Bear Stearns, Bombardier, Cajal, Co-op Schweiz, Commercial Union, Compaq Computer, Computer Associates, Continental Airlines, Cullen, Daewoo, Daewoo Securities, Daimler, Dasa, Delta Air Lines, Deutsche Morgan Gren, Deutsche Telekom, Davro, Edmet Copper, FVI, Ford, Fuji, GEC, General Electric, Hamburg-Süd, Haspag-Lloyd, Hitachi, Hoogovens, Inmat, JAL, Johnson & Johnson, Kabel Plus, Kennecott, Kodak, Lagardere, Nobel, MGAM, McGraw-Hill, Merck, Mitsui, Monsanto, Munich Re, Natuzzi, North-West Grumman, OTE, Océ, Orange, Petros, Pfizer, Pilkington, Pizzardi, RTZ-CRA, Sabena, Ramco Energy, Rodime, SGS-Thomson, Saba, Sanyo, Sanwa, Schering-Plough, Sears Roebuck, Short Brothers, Skat, Smiths Industries, Soc. Marcellaise, Stephen Rose, Suzac, Sun Microsystems, Thomson, Time Warner, Transat, UPM-Kymmene, US West, Unibanco, Viag, Virgin, WWI, WVA, World Technology, Wuxue Water, Wickes, Winbond Electronics.

Market Statistics table with columns for various market indices and their values.

Chief price changes yesterday

Table showing price changes for various commodities and currencies like FRANKFURT (DM), London (GBP), and New York (USD).

Sales growth lifts Compaq 43%

By Louise Kehoe in San Francisco

Compaq Computer, the world's largest personal computer manufacturer, reported a 43 per cent jump in third-quarter net profits on the back of strong sales growth...

However, like many high technology companies, Compaq saw its share price decline yesterday. The stock price, which has more than doubled since the beginning of the year...

Texas Instruments reported disappointing performances, showing that the broad high-technology sector is producing mixed results.

Its gross margins rose to 23.9 per cent of revenues in the third quarter, compared with 22.5 per cent a year ago.

40 per cent of sales, he forecast. "Compaq is becoming a full service supplier," said Mr Mason.

Air France lines up two US alliances

By David Owen in Paris and John Kingman in London

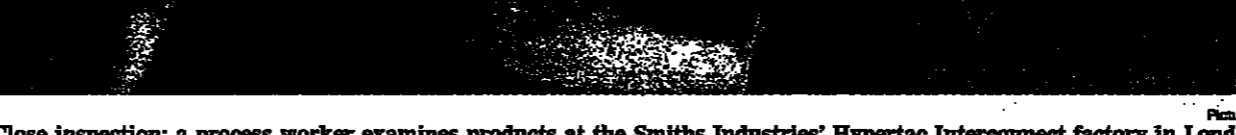
Air France yesterday announced link-ups with two US companies: Delta Air Lines and Continental Airlines.

The state-owned carrier said it had signed separate letters of intent with Atlanta-based Delta and Texas-based Continental envisaging broad-based commercial and operational co-operation.

Mr Keith Percy, chief executive of Morgan Grenfell Asset Management, and three senior colleagues were yesterday sacked without compensation...

DMG was also altered internal lines of command so that its senior compliance officer reports to Mr Nick Tatman, chief compliance officer for DMG.

When the deception was discovered, Deutsche Bank injected £180m (\$280.6m) of funds to buy out the securities it believed had not been valued correctly.



Close inspection: a process worker examines products at the Smiths Industries' Hypertac Interconnect factory in London.

DMG sacks five over Young affair

By John Gapper, Banking Editor

Mr Keith Percy, chief executive of Morgan Grenfell Asset Management, and three senior colleagues were yesterday sacked without compensation...

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Analysts speculated yesterday that the acquisition talk might be linked to the takeover announced yesterday of Thomson Multimedia by Daewoo.

McGraw-Hill to launch journals on the Internet

By Raymond Snoddy in London

The McGraw-Hill Companies, the US business and educational publisher, is to launch a range of electronic science-based journals wholly on the Internet.



Joseph Dionne: happy with Internet security

The journals, to be called McGraw-Hill Science Online, are designed to challenge the market of traditional academic journal publishers such as Reed Elsevier.

McGraw-Hill will begin trials early next year of up to five electronic scientific journals. Launches are scheduled for the third or fourth quarter of 1997.

MORSE logo and advertisement for MorseData, featuring a 3D bar chart and text about server integration.

BA accused of Japanese deal, Page 9; Lex, Page 14

هكتانم النحل

COMPANIES AND FINANCE: EUROPE

# Nine shortlisted in Greek phone project

By Kerin Hope in Athens

OTE, Greece's state-owned telecoms company, has shortlisted nine of 16 international bidders for a controversial Dr120bn (\$498m) project to set up a mobile telephony system which would compete with two international consortia operating cellular networks in Greece.

The company plans to select a partner in December from a final list of three or four and, to underline transparency, the decision will be made on the basis of financial offers opened in public.

CS First Boston, the international investment bank which ran a similar auction in 1992 for Greece's first mobile telephone licences, and Alpha Finance, the Greek investment bank, are advising OTE.

The shortlisted bidders include three US operators (AirTouch International, BellSouth Europe and SBC Communications), Bouygues of France, Mannesmann of Germany, Orange of the UK and three state telecoms companies, Swiss PTT, TeleDanmark and Telenor of Norway.

The international partner would take an equity stake of about 25 per cent in OTE's mobile subsidiary and would provide technical services and management. OTE aims to capture 40 per cent of Greece's fast-growing mobile telephony market, forecast to exceed 1m subscribers by 2000.

However, Greece's two present cellular operators, Panafon and Teleset, are suing the government, claiming that the terms of their licensing agreement grant exclusive rights to cellular telephony until 2000.

They say OTE's mobile licence, issued last year for Dr14bn, should be annulled. Greece's supreme court will hear the dispute next week.

Panafon and Teleset each paid Ecu160m (\$203.2m) for a mobile licence in 1992. Panafon is controlled by Vodafone of the UK, France Télécom and Intracom, the Greek telecoms equipment supplier. Teleset is owned by Italy's Stet International, Nynex of the US and Interamerican, a Greek insurance group.

The European Union has questioned the Greek government over its decision to issue a mobile licence to OTE without holding an international tender. While the decision appears to violate EU competition rules, government officials say it was justified because OTE was excluded from bidding for a licence in 1992.

Net profits at Océ-van der Grinten, the Dutch reprographics company, jumped 71.4 per cent to Fl 38.9m (\$22.51m) in the third quarter.

The company said that for the current quarter it expected "a continuation of the positive development". Revenues were ahead 61.5 per cent at Fl 1.115bn, boosted by the April takeover of Siemens-Nixdorf's printer division. Océ announced that from January it would take full control of Messerli, its Swiss distributor, which had been 20 per cent owned.

# Océ net profits jump 71% in quarter

By Gordon Cramb in Amsterdam

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Océ shares rose Fl 1.30 on the news to close at Fl 194.50. In its office systems division, sales were up 21 per cent to Fl 508m while in engineering systems, where it supplies specialist copiers, printers and plotting equipment, turnover rose 18 per cent to Fl 319m. HPP, the new German unit, contributed an additional Fl 288m.

Operating profits overall increased 48.6 per cent to Fl 75.5m, benefiting from an improved exchange rate as well as the absorption of HPP. Océ said the German company was giving the group "a substantially higher level of sales, with a decrease in gross margin and also a decrease in operational costs as a percentage of sales".

For the nine months, net profits grew 50.8 per cent to Fl 107.5m on revenues which were 39.2 per cent higher at Fl 2.91bn. HPP accounted for 20 percentage points of the increase and currency movements a further 3 points.

Growth in the engineering systems market was due in particular to demand for digital copiers and printers. From net earnings of Fl 5.99 per share for January-September, compared with Fl 4.37, Océ is paying an unchanged interim dividend of Fl 0.90.

## EUROPEAN NEWS DIGEST

# Munich Re details share holdings

Munich Re, the world's biggest reinsurer, yesterday disclosed a further DM5.2bn (\$3.4bn) worth of stakes it holds in German and foreign companies. It gave details of all shareholdings below 5 per cent and worth more than DM100m, the biggest being: a 1.7 per cent stake in Bayer chemicals, valued at DM633m; 1.3 per cent of Siemens (DM563m); 1.5 per cent of Deutsche Bank (DM637m); and 4.4 per cent of Bayerische Vereinsbank (DM491m). It also revealed small stakes in Dresdner Bank, Commerzbank, Hoechst, RWE, Veba and others. Abroad, Munich Re said it owned a 4.4 per cent stake in Commercial Union, the UK insurance group, worth DM378m, and a 3.6 per cent holding in Ford's AMEV, the Dutch insurer, worth DM282m. Munich Re's total investments had a book value of about DM120bn in mid-1996 - not yet including its purchase of American Re - its biggest stake being 26 per cent of Allianz, the German insurance concern. *Andrew Fisher, Frankfurt*

# German bank to refocus

Schröder Münchmeyer Hengst, the German bank controlled by Lloyds TSB, the UK bank, plans to concentrate on investment banking and cut back its corporate lending, shedding more than 10 per cent of its 450 staff. SMH, based in Frankfurt, will focus mainly on institutional equity broking, asset management and private investment advice. *Andrew Fisher*

# Safra up 18% in third term

Safra Republic Holdings, the European private banking group controlled by Mr Edmond Safra, increased its third-quarter net income by 18 per cent to \$9.8m. The group's funds under management rose by 49 per cent to \$9.6bn, with much of the increase reflecting the recent acquisition of Banque Unigestion, a Geneva private bank. There was little impact on the group's commission income, which rose 13.8 per cent to \$19.2m. Net interest income was up 16.2 per cent to \$70.2m, and foreign exchange and other trading profits increased 62 per cent to \$8.6m. Operating expenses fell by 5 per cent to \$37.9m and total assets were up by a fifth to \$16.9bn. Shareholders' equity at the end of September 1996 was \$1.59bn, or \$77.81 a share. For the nine months, net income was ahead 15.5 per cent to \$138.6m, giving earnings per share of \$1.87. *William Hall, Zurich*

# L'Oréal sales ahead 12%

L'Oréal, the French cosmetics and healthcare group, said sales rose 12.1 per cent to FF44.98bn (\$8.6bn) in the nine months to September, compared with a year earlier. On a comparable structure basis, sales rose 7.8 per cent. It said it expected full-year sales growth in line with that of the nine months. *AFX News, Paris*

# Hoogovens plans asset swap

Hoogovens, the Dutch steelmaker, is planning an asset swap with Klöckner & Co of Germany to rationalise joint holdings. The German partner will gain full ownership of ODS/Hoogovens Handel, a metals trader based near Rotterdam. Control of nearby Namascor, which cuts steel sheets from coil, and of Montana-Bausysteme, a Swiss maker of roof and wall panels, would pass to Hoogovens. *Gordon Cramb, Amsterdam*

# Suez back in black with FF772m at halfway

By Andrew Jack in Paris

Suez, the French financial and industrial holding company, yesterday announced a return to profit for the first six months of the year, after heavy losses in 1995. It also announced a series of unusual transactions designed to increase earnings per share.

The group posted profits of FF772m (\$152.36m), compared with losses in the first half last year after heavy provisions of FF3.98bn. These figures did not include the results - believed to be in the black - contributed by its subsidiary Banque Indosuez, in which it has sold a majority stake to Crédit Agricole, the French mutual bank.

Mr Gérard Mestrallet, the chairman appointed last

summer after his predecessor resigned following strong criticism by leading shareholders, highlighted a series of other transactions since his arrival, including the acquisition of a further stake in Tractebel, the Belgian utility, and the disposal of a further FF2.4bn in investments. "Suez will in the future be a more compact and more coherent group," he said.

In an unusual move, he said that the board had approved on Tuesday a decision to cancel the 3.6 per cent of the group's shares controlled by the Suez parent company. It would also liquidate a further 1.4 per cent in Suez shares owned by its Société Générale de Belgique subsidiary.

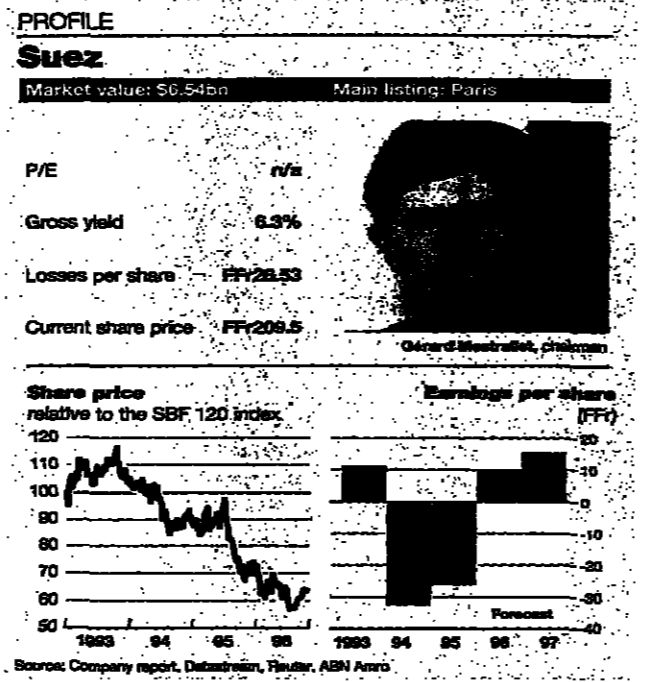
In addition, it had paid FF700m to buy back con-

vertible bonds from Japanese investors, which would have constituted 1 per cent of the share capital of the group if they had been converted into equity. A similar operation was carried out last year.

The effect of these various transactions will be to reduce the potential dilution of Suez's capital by 7 per cent, in an effort to improve the return on equity to remaining investors.

Mr Mestrallet said he was still committed to the objective he had announced last year to offer Suez shareholders a return on equity of 10 per cent in the medium-term. He did not specify a time-scale for this objective, however.

The chairman said the group would have entirely withdrawn from the prop-



erty sector by 2001, and more quickly "if it is in our interests". Its portfolio had shrunk to FF12.4bn by June

# German shipping lines discuss container deal

By Charles Batchelor, Transport Correspondent

Two German shipping lines, Hapag-Lloyd and Hamburg Süd, are discussing closer co-operation in their container divisions in a move which heralds a further consolidation of the container shipping industry.

The companies denied plans for a merger, describ-

ing such suggestions as "speculative in nature and having no factual basis whatsoever". However shipping industry observers said they did not rule out a full-scale merger. Routes served by the two companies are complementary.

The announcement that the two companies are "to investigate the possibilities of co-operating more exten-

sively in container liner shipping" comes just five weeks after P&O of the UK and Nedlloyd of the Netherlands announced a merger of their container businesses.

Overcapacity in container shipping, pressure from customers on freight rates and the breakdown of the traditional conference system which allowed shipowners to fix tariffs, have contributed

to poor returns from the sector over the past 15 years.

Hapag-Lloyd ranks eighth in the world league of container shipping companies.

The profitability of the company's container division improved in 1995 and helped contribute to a 24 per cent rise in overall pre-tax profits to DM118m (\$77m). The company is very susceptible to changes in the dollar/D-Mark

exchange rate.

Container shipping accounted for 53 per cent of Hapag-Lloyd's total turnover of DM4.4bn.

Pressure on container shipping line margins is likely to continue with an expected 12 per cent increase in capacity in 1997, more than double the forecast rise in demand.

# CONGRATULATIONS

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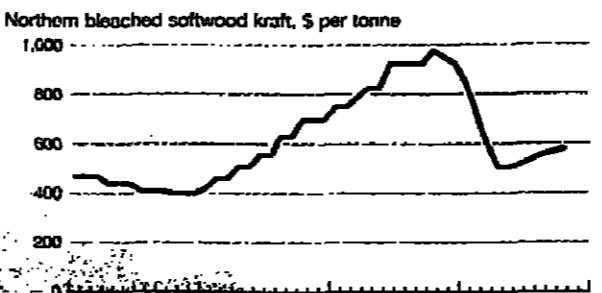
COMPANIES AND FINANCE: EUROPE

Newly-weds' testing first year

Full benefits of merger are yet to flow through at UPM-Kymmene

Biggest and best are words that are synonymous in the international pulp and paper industry.

Pulp price roller-coaster



Kymmene's balance sheet. He wants to lift the equity to assets ratio from the current 38.6 per cent to more than 40 per cent.

A New York listing is under consideration and Mr Niemela is positive to the idea of a share buy-back to enhance shareholder value.

UPM-Kymmene warned earlier this year against Finland joining the ERM before its Nordic neighbour Sweden.

The group is still acclimatising to its new position of European market leader. But forestry executives and analysts are already asking how it will use this status to influence one of the industry's thorniest problems - capacity levels.

Some measure of co-ordination in new capacity starts is seen as vital to the sector's long-term health. Mr Niemela says: "It is time to look at the situation seriously and not behave as the industry has traditionally behaved."

EUROPEAN NEWS DIGEST

Natuzzi plans 1-for-2 share split

Natuzzi, the Italian upholstered furniture manufacturer quoted on Wall Street, yesterday announced it would be seeking approval for a 1-for-2 share split at its annual meeting on October 28.

The business, developed from a family workshop in the southern Italian region of Puglia during the 1950s, reported turnover of L453bn (\$284.5m) for the first half of this year, up 5.8 per cent on the same period in 1995.

Astra, the Swedish pharmaceuticals group, said nine-month sales of its biggest-selling drug, the anti-ulcer agent Losec, rose by 37 per cent in the US.

US West, the US telecoms group, has strengthened its foothold in the Czech Republic's nascent information superhighway by taking almost full control of the country's biggest cable television operator.

US West lifts Czech cable stake

US West, the US telecoms group, has strengthened its foothold in the Czech Republic's nascent information superhighway by taking almost full control of the country's biggest cable television operator.

US West bought the additional stake in Kabel Plus from Ceska Pojistovna, the dominant Czech insurance company, which is retrenching after suffering heavy losses when a bank it controlled failed in August.

US West owns 24.5 per cent of EuroTel, a mobile telephone joint venture with Bell Atlantic of the US and SPT Telecom, the Czech national telephone company which was partly privatised last year.

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

Credito Italiano

A joint stock company. Registered Office: Piazza Cavour 1 - 00187 Roma (Italy). Capital: Lit. 4,121,228,000,000 fully paid up.

1996-Interim Report

This is to inform you that 1996 interim report is available upon request at Credito Italiano's Registered Office in Genoa as well as at the office of the Stock Exchange Board.

The Financial Times plans to publish a Survey on

Mexico

on Monday, October 28.

The survey will look at the country's economy, politics, financial markets, foreign policy and more. For more information on advertising opportunities in this survey, please contact: Michael Gensch in New York: Tel: (212) 688-6900 Fax: (212) 688-8229 or Juan Martinez Dugay in Mexico: Tel: (525) 395-6888 Fax: (525) 395-4985 or your usual Financial Times representative.

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**RESTRUCTURING THOMSON**

**LAGARDERE - By David Buchan**

**European rival to US giants**

Yesterday's announcement by the French government that it was ready to sell state-owned Thomson to the Lagardere group looks set to create Europe's largest professional defence electronics combine with sales of about FF91bn (\$15.5bn), level with Hughes of the US and second only to Lockheed Martin of the US.

A few formalities still need to be completed. The government's privatisation committee, which vets all sales of state assets, still has to endorse the government's preference - largely on grounds of industrial strategy - for Lagardere over the rival bid by Alcatel, the telecommunications group. But Mr Jean Arthuis, the finance minister, said that in financial terms the two bids were identical, and therefore he could see no reason why the committee should take a different view.

Likewise, the European Commission will have to give approval to the government's FF11bn capital injection into the heavily indebted Thomson - an important condition posed by both Lagardere and Alcatel - and to Lagardere's takeover of Thomson-CSF, the defence arm of the Thomson group. But no problem is foreseen. The French state has not recapitalised Thomson since 1992. European competition rules do not apply to defence, and should not hinder Lagardere's plan to sell the consumer electronics division, Thomson Multimedia, to Daewoo of Korea.

Lagardere and Alcatel both offered a symbolic FF1 for Thomson, but presented very different industrial futures for its defence division. Alcatel tried to make a virtue of the synergies between today's civil and military technologies, and the possibility of extending this "horizontally" by taking Thomson-CSF on to its huge telecommunications business.

By contrast, the smaller Lagardere group stressed "vertical" integration of Thomson-CSF's wide range of military electronic products into its own existing missile and satellite activities. In the end, as Mr Francis Borotra, the industry minister, said yesterday, the government decided "vertical concentration is better suited to the context of current international competition", particularly from the US.

But yesterday's announcements by the government and Lagardere still leave a number of aspects of the deal unclear, notably on its financing. For a start, the

government, struggling with its budget deficit, does not seem to have FF11bn at its immediate disposal to inject into Thomson. Of the FF11bn it had planned to get from privatisations this year, it has already spent FF9bn-FF10bn in recapitalising other state companies, but the ministry said yesterday that privatisation, notably sales of minority stakes, could be stepped up.

Lagardere, which has a cash balance of FF1.2bn and equity of FF10.6bn, would only say yesterday that the overall operation would raise its net debt to a third of the level of its own equity. The implication of this is the operation will cost it between FF4bn-5bn. Thomson's total debt stands at FF25bn, but FF11bn from the government and a planned sale of a stake in the Credit Lyonnais bank, for at least FF3.3bn could bring it down to near FF10bn.

Lagardere has also offered minority shareholders, which hold 42 per cent of Thomson-CSF, an exit of FF156 a share, which if fully taken up would cost it FF7.8bn. However, Lagardere plans to offer investors the alternative of retaining their shares with a guarantee that, if the share price falls below a certain level, they will be compensated.

On the plus side, Lagardere will get some money from its planned sale of Thomson-CSF's 17 per cent share in the SGS-Thomson semiconductor business. Lagardere has not revealed its financial deal with Daewoo, but confirmed yesterday that it would set up a 50:50 joint venture with a Korean company to exploit Thomson Multimedia's digital television and decoder technology, while selling all the other consumer electronics to Daewoo.

Lagardere intends to put its own defence and high-tech business together with Thomson-CSF, under the name of Thomson Matra to be managed by Mr Noel Forgeard, the current head of Matra Defence and Space. Lagardere claims it will bring FF26bn worth of business to the new company - composed of FF17bn turnover from its own group and another FF9bn worth of business from British Aerospace and Nortel of Canada which it in effect manages in 50:50 joint ventures with those companies.

A key condition for Lagardere's victory appears to be that it will assert French dominance in Thomson Matra, in which the French state will take a "golden share" and in which Lagardere has promised that its share will not drop below 60 per cent.

Both Lagardere and Thomson have acquired plenty of UK partners in recent years, notably Bae and GEC, but both lack links in Germany, particularly with Daimler Benz Aerospace.

In addition, Lagardere has committed itself - and Mr Borotra stressed this publicly yesterday - that in any joint venture, Thomson Matra will keep operational control. This is what Lagardere has done in the past, taking 51 per cent in Matra Marconi Space and putting Mr Forgeard in executive charge of Matra-Bae, their 50:50 missile joint venture. It now seems this will remain the pattern for the future.



Jean-Luc Lagardere: celebrated at a Champs Elysees party with a glass of mineral water

**DAEWOO**

**Analysts question group's strategy**

Daewoo Electronics' acquisition of Thomson Multimedia will transform South Korea's third-ranked consumer electronics company into the world's biggest TV manufacturer, but analysts warn that the venture carries risks, John Burton writes.

The takeover will almost double Daewoo's TV production from 9m sets to 17m, and give it increased market share in the US and Europe, where its presence is weak.

Thomson's RCA brand has 16.5 per cent of the US TV market, while it has 12 per cent of the European TV market through its Saba, Telefunken and Thomson brands. Equally important, the Thomson takeover will promote vertical integration by easing a supply shortage of cathode ray tubes produced by Daewoo.

Daewoo trails behind its domestic TV rivals, Samsung and LG Electronics, in the global production of CRTs and has had to rely on outside suppliers, including Thomson, to make up the shortfall in its overseas plants.

But analysts question Daewoo's strategy of making TV sets the centrepiece of its goal to become one of the world's 10 leading consumer electronics companies by 2000.

TV sets are a low-margin business, with global demand growing only 4 per cent annually. Moreover, Thomson lags behind international competitors in terms of technology, except for digital satellite decoders, in which it claims a global market share of 50 per cent.

However, Mr Bae Soon-hoon, Daewoo Electronics president, believes there is considerable growth potential for TV sets in emerging countries such as China, India and Russia. He also predicts new demand in advanced countries for TV sets that would serve as dedicated terminals for Internet use.

Even if this strategy proves sound, analysts are worried about possible problems in Daewoo absorbing Thomson, which has debts of FF11bn (\$2.76bn).

"It's going to be tough for Daewoo to turn around Thomson," said Mr Lee Jae-ho, electronics analyst at SBC Warburg Securities in Seoul. "Other Korean electronics producers have already had difficulties in reviving loss-making foreign companies, such as Samsung with AST Research and LG with Zenith."

A smooth transition at Thomson is essential for Daewoo if it is to succeed in its strategy of achieving profits through improved economies of scale.

Moreover, Daewoo will have difficulty in cutting production costs at Thomson as it has promised the French government that it will not only avoid job cuts, but double the workforce to 10,000 in the next five years.

In addition, Thomson's financial burden, which is reflected in its net debt-equity ratio of 245.9 per cent last year, Daewoo, which reported 1995 net earnings of Won47.2bn (\$56.9m) on sales of Won3,126bn, is planning to spend \$2.4bn on global expansion by 2000 on top of the Thomson acquisition.

**ALCATEL - By David Owen**

**Sceptical investors offer consolation to Tchuruk**

If Mr Serge Tchuruk, the Alcatel Alsthom chairman, was in search of consolation yesterday for losing out to rival Lagardere in the bid for the Thomson electronics giant, he needed to look no further than the nearest trading screen.

The Paris market immediately responded to yesterday's announcement by marking up the telecoms and engineering group's shares by almost 3 per cent.

This apparently perverse reaction reflected the deepest scepticism, particularly among Anglo-Saxon investors, about the wisdom of an acquisition that

would have created one of the largest of French private enterprises, with an annual turnover, based on 1995 figures, of more than FF230bn (\$44bn).

"Mr Tchuruk seems to have caught empire-building fever at a time when investors would have wanted the opposite," said Mr Richard Kramer, telecoms equipment analyst with Goldman Sachs in London, yesterday. "The best thing in terms of share price appreciation is to focus the company on telecoms and make it a pure play."

Investors were also concerned about the timing of the possible

deal, while Alcatel was in the midst of a wide-ranging restructuring that was reflected in FF23.1bn in exceptional provisions and depreciation charges and resulted in 1995 losses of FF25.9bn, the largest in France's corporate history. Many believed the company should continue to concentrate on restructuring rather than seeking to branch out further afield.

Yesterday's decision nevertheless raises important questions about the direction of the group.

Will it affect the discussions it is having with General Electric Company of the UK, on the

merger of their GEC Alsthom power engineering and transport equipment joint venture with Framatome, the French state-controlled nuclear plant and fuel manufacturer? Alcatel had been expected to seek to extract cash from those negotiations to deploy in its bid for Thomson.

What does it mean for the future of Alcatel's defence businesses, which account for FF11bn of the group's FF16bn annual turnover?

A snap judgment is that the consequences of the day's events may be less far-reaching for the first of these questions than the

second. There seems little reason to think that defeat over Thomson will necessarily affect the group's thinking or tactics over GEC Alsthom/Framatome. The group said yesterday it would "actively continue" this negotiation. Mr Tchuruk appears convinced the merger makes industrial sense and will be broadly beneficial. Moreover, as one analyst said yesterday, "Alcatel still needs cash".

The failure to acquire Thomson's defence businesses, however, leaves Alcatel's defence interests looking exposed in a sector engaged in a long-delayed consolidation process. According to

Goldman Sachs's Mr Kramer, Alcatel's defence activities are left looking like "a poor orphan without Thomson-CSF".

There were even mischievous suggestions yesterday that the time may not be too far off when the defence arms of Alcatel and Thomson are integrated, just as they would have been if the government had expressed a preference for the telecoms and engineering group's offer.

Now, however, this would occur because Alcatel would have decided to rethink its strategy and sell its defence interests to Lagardere.

**HOW THE DEAL WAS DONE - By David Buchan**

**Victory celebrated in champagne style**

The Lagardere group had a big party last night. It was a long-planned reception in a Champs Elysees restaurant in conjunction with the Picasso exhibition at the nearby Grand Palais. As decision day approached for the Thomson sale, Lagardere executives nervously wondered whether their party would turn into a funeral wake.

In the event, champagne corks popped to celebrate victory over Alcatel, though Mr Jean-Luc Lagardere, the group's founder-president and teetotaler, was high on nothing more than mineral water. So too were his advisers. Banexi, BNP's merchant bank, Robert Fleming and Morgan Stanley. Defeat might have condemned his group to a sort of half-life of unrealised ambition to become one of Europe's defence "majors".

Thomson's privatisation - which started in February with President Chirac's call to restructure French

defence electronics around Thomson - also caused some nail-biting moments for the government when it received the two rival offers of Lagardere and Alcatel a month ago. Ministers and officials found themselves confronted with two bids offering a symbolic FF1 to take the indebted company off the state's hands. A financial difference would have made the government's decision easier, officials said yesterday.

Back in the spring, Alcatel started favourite. By talking of a solo purchase of the Thomson Multimedia consumer electronics division as well as the Thomson-CSF defence company, it seemed to offer a global, all-French solution. Lagardere, by contrast, said it would bring in European partners to buy only the defence arm, and would sell Multimedia to Daewoo of Korea.

Three factors then tarnished Alcatel's case.

- First, the government

**MICROELECTRONICS - By David Owen**

**SGS-Thomson stake may go**

One important knock-on effect of yesterday's decision looks set to be the sale by Lagardere of Thomson-CSF's 17.4 per cent stake in SGS-Thomson Microelectronics, the Franco-Italian semiconductor manufacturer.

Prime Minister Alain Juppé's office said yesterday that Lagardere had said it intended to put into effect a previous shareholders' agreement permitting Thomson-CSF to sell SGS-Thomson's capital.

Lagardere had taken this decision because SGS-Thomson's main activity was not "part of Thomson's core defence business". However, it said it would not do anything without the agreement of all interested parties, including other shareholders and the government.

Under the present shareholder structure, three French companies - Thomson-CSF, France Telecom and CEA-Industrie - own a total of 34.7 per cent of SGS-Thomson; big Italian shareholders have 34.7 per cent; and the balance of the shares are widely held.

The most widespread assumption yesterday was that the Thomson-CSF stake would end up in the hands of France Telecom and/or CEA. The government is expected to ensure that the French shareholding of 35 per cent is not reduced.

SGS-Thomson shares have performed strongly on the Paris stock market in recent months, gaining 95 per cent since the start of the year.

In July, the company - which is the world's 12th largest semiconductor manufacturer - reported "record market share gains" while unveiling a 53 per cent advance in first-half net earnings, to \$351.1m.

The group has been less affected by the overcapacity and poor pricing in the microchip market because it makes specialist products such as microcontrollers which have been experiencing strong demand. The company has a market capitalisation of about \$7bn.

**IMPACT ON EUROPEAN DEFENCE INDUSTRY - By Ross Tleman**

**Deal gives instant boost to British Aerospace**

Good for British Aerospace, bad for GEC. That was the London stock market's instinctive judgment yesterday after the French government decided to sell Thomson to Lagardere.

The rise in BAE's share price - up 19p to £11.32 - was rooted in the belief that its close relationship with Lagardere will provide a platform for a deeper partnership.

GEC - led by Mr George Simpson, a former BAE director - has an enormous power engineering joint venture with rival bidder Alcatel Alsthom and was expected to have forged closer links with Thomson, had Alcatel won.

Yet the Anglo-French chess game of European arms industry consolidation is still only half a dozen moves beyond the opening gambit. The true impact of the decision, in effect, to merge the defence electron-



George Simpson, GEC chief: his group has 3% of Lagardere's

ics business Thomson-CSF with Lagardere's Matra weapons subsidiary will emerge but slowly.

The new entity will have a large chunk of its business in three Anglo-French joint ventures.

Of these, the newest and biggest is Matra BAE Dynamics (MBD), Europe's largest missile maker. Agreed this May, MBD is a 50:50 joint venture with annual sales of £1bn and some 6,000 employees in the UK and France. It is chaired by Mr John Weston, the head of BAE's defence business.

Second in line is Matra-Maroni Space, a joint venture which Matra has a tiny majority, but where GEC in effect holds management sway.

This Anglo-French company, which acquired BAE's space business, is a European leader in the manufacture of satellites and related space technology.

The third well-known collaboration is Thomson Marconi Sonar, a world leader in underwater detection systems.

Yet these are merely the largest and best-known links. Thomson also has a joint venture with Pilkington, the UK glass-maker, manufacturing optical sights for armoured vehicles, and a joint venture with Short Brothers in Belfast, part of the Canadian group Bombardier, making hand-held missiles.

GEC, BAE, Matra and Thomson are both competitors and collaborators. Thomson and GEC are work-

ing together on the next generation of airborne radar, and both are collaborating with BAE to integrate the defensive systems of the Horizon anti-aircraft frigates now being developed by the UK, France and Italy. Like Daimler-Benz Aerospace, Germany's leading defence company, GEC has a near 3 per cent stake in Lagardere.

These links will form the basis of contacts between the heads of the new Thomson-Matra business and their UK counterparts.

Mr David Newlands, finance director of GEC, said: "What we will now try to do is see if there are some sensible things to do that will be helpful to GEC and our shareholders."

Sir Roger Hurn, chairman of Smiths Industries, hinted that he hoped a privatisation might open the way to collaboration with Sextant Avionique, Thomson's avionics subsidiary.

As yet, most groups are waiting to see whether the French privatisation commission imposes any conditions on the sale that might limit Matra's freedom for manoeuvre in negotiations.

But sometime next year, serious talking is likely to begin. Earlier in the privatisation process, Matra indicated that both BAE and Lagardere were willing to join it in a consortium bid for Thomson-CSF.

That readiness will now stand them in good stead. BAE's systems integration business would be a good fit. But the real prize, for GEC and Matra alike, would be an alliance to cut the cost of developing military radars.

Mr Chris Avery, of brokers Paribas, said: "British Aerospace has the first seat at the table to look over what is there and the first opportunity to get involved. GEC will get to the table, but somewhat later."

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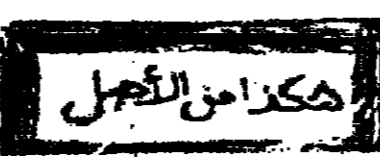
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DAEWOO

# Analysts question group's strategy

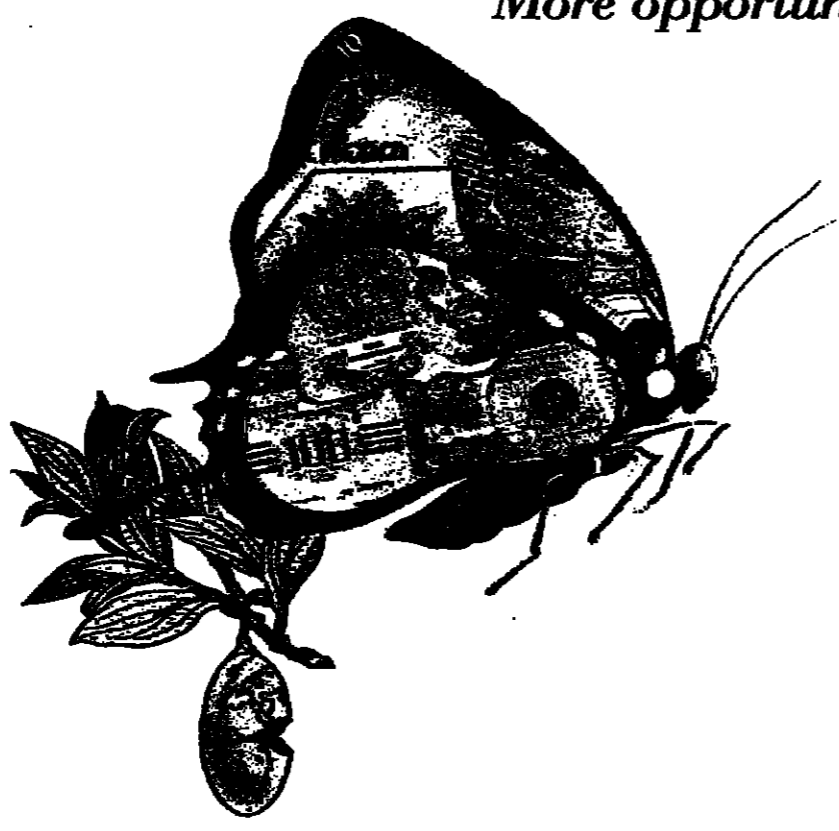
Daewoo Electronics' acquisition of Thomson's multimedia will transform South Korea's third-largest consumer electronics group into the world's first TV manufacturer, analysts warn that the move carries risks, including the laborer will double Daewoo's TV production from 9m sets a year and give it increased market share in the US and Europe where its presence is limited. Thomson's RCA brand is 10.5 per cent of the US market, while it has 15 per cent of the European market through its Telefunken and Thomson brands. Equally important, Thomson takes a primary vertical interest in Europe's satellite TV market through its share in Daewoo.

Daewoo trails behind domestic TV rivals, Samsung and LG Electronics, the global production of which has had to rely on outside suppliers, including Thomson, to make up shortfalls in its own plants.

Analysts question the strategy of making the centrepiece of the group's expansion strategy a low-margin, high-risk business with growing competition. However, the move is seen as a key to Daewoo's strategy of making the centrepiece of its expansion strategy a low-margin, high-risk business with growing competition. However, the move is seen as a key to Daewoo's strategy of making the centrepiece of its expansion strategy a low-margin, high-risk business with growing competition.

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COMPANIES AND FINANCE: THE AMERICAS

# US drugs groups maintain healthy growth

By Tracy Corrigan  
in New York

Large US pharmaceutical companies are maintaining double-digit revenue growth, in spite of the negative impact of a stronger dollar on overseas sales.

However, investors hoping for earnings surprises that would make the shares look cheap had to be content with seeing companies beat analysts' estimates by a cent or two.

With the overall market growing by about 6 per cent annually, Merck managed to increase pharmaceutical sales by 18 per cent for the year to date, while at Johnson & Johnson sales rose by

15 per cent. The growth came largely at the expense of smaller competitors.

Furthermore, many US companies have been buying back their shares, which helps them produce better earnings per share growth than their European counterparts.

Merck had a particularly good third quarter, with total sales growth of 19 per cent and an increase in net income of 16 per cent. Mr Arvind Desai, an analyst at Mehta and Isaly, said its success came from "a combined strategy of growth from new therapies and growth from core products, with line extensions utilising new clinical studies".

## US drug companies: 3rd quarter 1996

Company	Revenues \$m	% change on 3Q 1995	Net income \$m	Eps \$
Johnson & Johnson	5,402.0	+14	750.0	0.56
Pfizer	2,803.0	+10	514.0	0.80

Among new Merck drugs is the AIDS treatment, Crixivan, which was cleared for marketing by the US Food and Drug Administration in March and by the European Commission in September. But the strongest sales growth came from existing drugs, such as cholesterol lowering agents Zocor and Mevacor, which now hold about 40 per cent of the worldwide cholesterol-lowering market.

Sales have benefited from long-term studies showing the efficacy of Zocor in

reducing the risk of heart attacks.

Merck also appears to have managed to stem the decline in its profit margin, caused by its entrance into the managed care business, which helped lift sales but hit margins. Mr Desai noted that a slowdown in the growth of Medco, the low-margin managed care business, to 26 per cent in the quarter from about 30 per cent last year, coupled with pharmaceutical sales growth of about 17 per cent, up from about 10 per cent last year, had helped arrest the rate of decline.

Positive study results helped Johnson & Johnson, which reported revenue

growth of 14 per cent for the quarter, in spite of being more vulnerable than Merck or Pfizer to the stronger dollar because more than half its pharmaceutical sales are overseas.

Sales growth in the US of 28.1 per cent was led by Risperdal, the most frequently prescribed antipsychotic drug, with more than 20 per cent of the market for schizophrenia treatment. Risperdal sales were helped by economic studies showing that its use reduces overall medical costs. In June, the company received FDA clearance to market an oral solution, which is expected to be used for treating a wider range of patients.

## AMERICAS NEWS DIGEST

### Northrop Grumman earnings rise 15%

Northrop Grumman, the defence and aerospace specialist, yesterday reported a 15 per cent rise in net earnings for the third quarter and a 25 per cent increase in sales to \$2bn. The improvement was attributable partly to the first-time inclusion of income and revenues from the recently-acquired Westinghouse electronics business, which now operates as Northrop's Electronic Sensors and Systems Division.

Earnings per share for the three months ended September 30, fell to \$1.21 from \$1.25, partly as a result of the issue of 8m new shares last June.

No comparable figures were given although other data suggested the company was starting to reap benefits from the improvement in the civil aircraft market. Northrop, which make the B-2 bomber and the C-17 military transporter, also builds fuselages and other parts for Boeing. It delivered nine 747 aircraft in the quarter compared with five last time.

Group sales for the first nine months rose 16 per cent to \$5.5bn, and net income rose 12 per cent to \$217m. At the end of September, Northrop's order book stood at \$11.7bn, up 8 per cent on the year. Christopher Parkes, Los Angeles

### Sears Roebuck keeps up growth

Sears Roebuck, the second-biggest US retailing group, continued its rapid profits growth by reporting a 22 per cent increase in net income to \$379m in the third quarter. Revenues rose 7 per cent to \$9.07bn and earnings per share were 21 per cent ahead at 88 cents.

Mr Arthur Martinez, chairman and chief executive, said the two main contributors to profits growth were an enthusiastic customer response to the revitalisation of the company's 800 mall-based department stores and heavy shopping in the group's 1,500 off-the-mall stores, which sell home and automotive products.

The US retailing sector, burdened by overcapacity and weak consumer demand, has not been doing well, but Sears Roebuck is benefiting from a remodelling of its department stores which has changed the emphasis from hardware to so-called soft lines such as women's clothing, cosmetics, jewellery and men's fashions.

The company said income from domestic operations rose by 24 per cent to \$282m. But it incurred losses of \$18m from its operations in Canada and Mexico, against losses of \$7m a year earlier. It said both countries continued to suffer from weak economic conditions and competitive pressures. Richard Tomkins, New York

### Bear Stearns dips

Bear Stearns yesterday followed the pattern set by other Wall Street firms, announcing a dip in earnings compared with the previous quarter, but an improvement on the same period last year. The investment bank reported earnings per share of \$0.75 for its first fiscal quarter, down from \$1.18 the previous quarter. Bear Stearns' financial year ends in June, so its first quarter corresponds to the third quarter of most investment banks.

The company reported first-quarter net income of \$106m, compared with \$163m in the previous quarter. The biggest drop in revenues came in investment banking, which brought in \$109m, less than half the previous quarter's exceptionally strong revenues. This reflects the temporary slowdown in mergers and acquisitions and underwriting activity due to stock market weakness during the summer months.

Despite this, Bear Stearns maintained its strong return on equity of more than 20 per cent for the fifth consecutive quarter. Tracy Corrigan, New York

### Soros expands in Venezuela

Mr George Soros, the financier, increased his portfolio in Venezuela by acquiring a majority stake in the real estate fund Fondo de Valores Inmobiliario (FVI). The Quantum Industrial Fund acquired a 25 per cent share for \$14m while IRSA, the Argentine real estate company, bought a 28.6 per cent share for \$16m. Both are controlled by Mr Soros.

The acquisition comes amid a wave of foreign capital flowing into the country in response to improved economic perspectives. Mr Luis Emilio Valertini, president of FVI, said he expected real estate prices to adjust in response to inflation and growing demand over the next two years.

Other shareholders, whose total net investment amounts to \$56m and increases FVI's paid-in capital to \$70m, include Venezuela's Bancaracas Capital Markets. Quantum had acquired a 9.4 per cent share in Banco Provincial, one of the country's largest banks. Raymond Collitt, Caracas

### AT&T to delay appointment

AT&T's board was expected yesterday to delay its decision on appointing a new president, adding to the uncertainty that has surrounded the US telephone company's executive suite since its previous number two executive left earlier this year.

There had been widespread expectation before the board meeting that the company would name a successor to Mr Alex Mandl, the previous president and a man who had been seen as an heir apparent to Mr Robert Allen, chairman and chief executive.

Some of those talked of as possible presidents have counted themselves out in recent days, adding to suggestions that AT&T will find it difficult to find an outsider with the right type of experience who is willing to take on the company during a rocky moment in its history. The company, which is due to release third quarter earnings today, has disappointed Wall Street twice this year with a slow-down in its core long-distance telephone operations. Richard Waters, New York

# Time Warner enjoys record cash flow

Christopher Parkes  
in Los Angeles

Cash flow at Time Warner jumped 32 per cent to a record \$964m in the third quarter, a result of a run of three hit films, popular interest in the summer Olympics and higher cable television revenues.

As a result, net losses at the entertainment and media group fell to \$91m, compared with \$144m, although the loss per common share increased from 41 cents to 43 cents because of almost quadrupled dividend payments to preferred stockholders.

Mr Gerald Levin, chairman, catalogued a series of summer successes and said he expected growth to continue following the merger with Turner Broadcasting System completed last week. Earnings data released yesterday excluded TBS.

The group, which has not turned a profit since 1990 when Time Inc took over

Warner, presents its results in terms of cash flow - or earnings before interest, taxes, depreciation and amortisation associated with the merger - as the best guide to its fortunes.

On this basis, earnings from films rose 13 per cent to \$146m, cable improved 31 per cent to \$512m, while music divisions, which took heavy restructuring charges last time, were unchanged at \$143m. Publishing showed a 15 per cent advance to \$98m.

Underpinning the improvements, revenues rose 12 per cent to \$4.9bn.

The company, which recently told investors it planned to slim, cut costs, and is expected to restructure the capital-intensive cable TV systems responsible for much of its \$17.5bn debts, has already started work on its music division.

Following cuts at lesser labels last year, Atlantic Records now faces a 13 per cent cut in its workforce.

Yesterday's results, which followed a 20 per cent cash flow surge in the second quarter, and raised cash flow for the first nine months 27 per cent to \$2.5bn, included the fruits of *Twister*, a film which has drawn almost \$250m at the box office and is expected to continue contributing foreign revenues and income from home video sales.

Two following Warner releases, *Eraser* and *A Time to Kill*, have also sold more than \$100m-worth of tickets each to qualify as "blockbusters".

At Time Inc, advertising revenues from a special daily Olympics edition of *Sports Illustrated* enhanced cash flow growth in the publishing division which was already above 10 per cent in the second quarter.

The music division, which claims a 22 per cent US market share, laboured during the quarter under poor consumer demand.



Gerald Levin: sees growth continuing after merger with TBS

# Unibanco acquires London broker

By Jonathan Wheatley  
in São Paulo

Unibanco, Brazil's third biggest private bank, said yesterday it had bought the entire share capital of Stephen Rose and Partners, a London brokerage house specialising in Brazilian equities.

No figure was given for the deal. Mr Stephen Rose, founder of the brokerage, said an initial payment would be made followed by annual instalments related to performance. His company had sought a purchaser to allow it to expand its client base in a period of "strong development" in Brazilian equity markets over the next three to five years.

"Unibanco was our first choice because we have been friends for 20 years," he said. "It's very hard, when there are just 12 of you and your clients are entirely institutional, to compete against the Barings and the Bear Stearns. We will give Unibanco one of the best client lists in Europe and they will give us access to their clients in Brazil."

Mr Julius Buchenrode, a director at Unibanco, said the deal would expand the bank's distribution capability by offering its corporate clients access to Stephen Rose's institutional customers.

"We want to be able to tap that market for our client base in Brazil issuing equities abroad," he said.

The news met with surprise on Brazil's financial markets. "I'm flabbergasted," said Mr Eduardo Faria of Icatd, a Rio de Janeiro investment bank. "I'm very fond of both institutions and I wish them the best, but at first sight I can't see the synergy. Unibanco isn't known for its need for distribution, but there is a lot of room for development in Brazilian investment banking and if this is a new departure for them this deal will be a good way to build their market. Distribution is a cut-throat business and this will give them a big start."

Mr Buchenrode at Unibanco said the deal gave the bank its first significant distribution capacity in Europe and was the first stage in plans to expand overseas.

Under the deal, Stephen Rose and Partners will retain its existing name and structure. The acquisition is subject to approval by the UK Securities and Futures Authority and Brazil's central bank.

# Sun Micro shares slide on doubts over growth

By Louise Kehoe in San Francisco

Sun Microsystems' share price fell sharply yesterday, in spite of a 45 per cent jump in profits for the fiscal first quarter, as analysts raised concerns about future growth and mounting competition.

Sun's shares were down almost 10 per cent mid-session yesterday with the stock trading at \$63 3/4, down from Tuesday's close of \$70.

Sun reported first-quarter results after the close of trading on Tuesday. Revenues for the first quarter were \$1.86bn, up more than 25 per cent from \$1.49bn in the same period last year. Net income increased more than 45 per cent to \$123.4m, or 63 cents a share, against \$84.7m, or 42 cents, in the first quarter of the prior fiscal year.

The results beat most Wall Street projections for net earnings, which averaged 61 cents a share. However, some analysts had been looking for even higher growth. Mr Scott McNeely, chairman, president and chief executive, said that 25 per cent growth in revenues was "the right

level for a company of our size". At 30-35 per cent growth rates, which some analysts had been anticipating, "things can get out of hand", he said.

Operating profit margins rose to 9.5 per cent of revenues from 7.6 per cent in the same period last year.

The computer workstation and server manufacturer has been riding a tide of growth in the Internet and corporate intranet markets.

Sun's profit margins are, however, expected to come under pressure when Compaq Computer enters the workstation market next month. Compaq said yesterday it planned to undercut the prices of Sun, Hewlett-Packard and Digital Equipment workstations by about 50 per cent.

"Sun will be forced to do something in response," predicted Mr Earl Mason, Compaq chief financial officer. Mr McNeely said, however, that Sun's market opportunities would continue to expand as wide area networks became the staple of business computing.

# Sharp rise in sales at Computer Associates

By Louise Kehoe

Computer Associates, the leading supplier of business software, reported a 22 per cent jump in revenues for its second fiscal quarter as sales of software for use in office networks jumped 56 per cent.

For the quarter ended September 30 CA's revenues were \$950m, up from \$812m in the same period last year. Net income, excluding special charges, was up 81 per cent at \$223m, or 59 cents a share, against \$171m, or 45 cents, in the second quarter of the prior fiscal year, excluding a \$1.3bn acquisition charge.

After closing at an all-time high of \$65 1/2 on Tuesday, CA's shares fell back to \$63 1/2 in early trading yesterday amid a broad retreat in high technology stocks. The company attributed the decline to profit taking.

CA said that much of its second-quarter growth was in software for use in "client-server" networks of personal computers and servers. In particular, software for use on com-

puters running the Microsoft Windows NT operating system was "very, very strong" said Mr Sanjay Kumar, president and chief operating officer.

The popularity of Windows NT is rising rapidly, said Mr Kumar. The Microsoft operating system is now being evaluated for most new projects where UNIX has been the traditional operating system choice, he added.

CA said sales of its UniCenter software, used to manage corporate networks were also strong, with new customer wins running at an all-time high during the quarter.

In the mainframe software sector, growth continues "in the mid-single digits", said Mr Kumar. "Mainframes are going to be around for a long time, although this is a slower growth market."

For the fiscal year to date CA reported revenues of \$1.78bn, a 28 per cent gain, against \$1.39bn in the same period last year. Net income was \$343m, or 90 cents a share, against \$259m, or 68 cents, excluding the acquisition charges.

# AOL signs \$340m deal for modems

America Online, the online service provider, and BBN, a research and consulting services concern, have signed a four-year contract worth \$340m to build AOL's private dial-up network to meet future demand from Internet online customers. Renter reports from Virginia.

BBN will deliver and support a minimum of 70,000 new modems and associated services each year.

The deal covers BBN's provision of modems as well as its operation and maintenance of a portion of the company's AOLnet system. It also includes a provision of telecommunications circuits purchased from local and inter-exchange carriers.

Since March 1995, when the two companies entered their initial agreement, AOLnet has grown from under 10,000 modems in the US to more than 170,000 around the world, it said.

America Online said its subsidiary, ANS, will continue to be its primary partner in expanding AOLnet. However, it said that the growth of the service requires it to work with a number of other companies to meet its expansion goals.

BBN, based in Cambridge, Mass, provides businesses and organisations with Internet and internetworking solutions, including dedicated and dial-up Internet access, Web hosting, managed security, systems integration and consulting.

# Rio to sell 70% holding in Cerj

The government of Rio de Janeiro state said yesterday it would sell a 70.26 per cent block holding in Cerj, an electrical distribution company supplying a quarter of the state's electricity, for a minimum of R\$464.7m (US\$453m) in a closed envelope auction at the Rio de Janeiro Stock Exchange on November 20.

The minimum price puts the value of the whole company at R\$660m, well below its market capitalisation; its value based on its share price on the São Paulo Stock Exchange yesterday was about R\$740m.

Mr Jorge Kotani of Lafis, a São Paulo firm of analysts, said Cerj's buyer would have to invest heavily to improve efficiency. "The company serves the poorest area of Rio de Janeiro and loses about 30 per cent of the electricity it supplies," he said.

Cerj's distribution area includes some of Rio de Janeiro's poorest slums and suburbs; much of its energy is lost to illegal connections from overhead lines.

Cerj has 1.2m customers and 4,400 staff, down from 5,700 last year. Turnover in 1995 was R\$500m, on which it made a net loss of R\$62m.

The state government yesterday opened an offer of 7.5 per cent of Cerj's shares to its employees at a 30 per cent discount to the auction price.

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These securities were primarily placed under Rule 144A under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. These securities have been previously sold, this announcement appears as a matter of record only.

Can you name the world's Top 5 reinsurance companies?

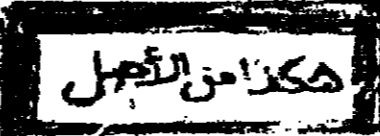
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# Japan's builders 'hiding property losses'

By Gerard Baker in Tokyo

Japan's general building contractors are facing growing losses from the continuing fall in the country's land prices, according to a report by a private credit research agency published yesterday.

Teikoku Databank said hidden losses on property holdings at 72 general contractors were estimated to have grown more than 85 per cent, to ¥1,410bn (\$12.6bn), by the end of March this year, from ¥760bn a year earlier.

The survey was based on

Teikoku's estimate of the difference between market values and book values of land held by the contractors.

The builders bought large quantities of land for development at the end of the 1980s, when land prices were soaring. Since then prices in some of the leading urban centres have fallen by as much as 50 per cent, leaving contractors with massive losses.

The companies have not written off the bad assets, fearing the effect on their business of the announcement of losses, according to the agency. Each is concerned that a decision to

post a deficit would damage its standing with the government, and jeopardise the chance of further contracts from the construction ministry. Public sector financed construction provides the bulk of the contractors' work.

Of the five largest companies, only Haseko has announced losses in the past year in an effort to deal with the problem. In the year to March, it sold about half its property holdings and reported a recurring loss, before tax and extraordinary items, of ¥102.7bn.

Teikoku said Fujita, one of the middle-ranking contractors, had the largest hidden losses at the end of March, of ¥296.5bn. Next were Taisei, with ¥171.1bn; Tokyu Construction, with ¥162.5bn; Obayashi, with ¥151.8bn; and Haseko, with ¥131bn.

The failure to dispose of the losses is another example of Japanese companies' dilatory approach to eliminating the balance sheet problems caused by the fall in land prices.

For several years, banks were reluctant to own up to losses from bad loans and believed a recovery in prices would eliminate much of the problem.

The recovery never came,

## ASIA-PACIFIC NEWS DIGEST

### Old financial tie-up gathers support

The proposed three-way merger between Metway Bank, the SunCorp insurance group, and the Queensland Industry Development Corporation - being orchestrated by the Queensland state government - would create a financial services group with assets of around A\$2.7bn (US\$2.1bn), according to documents released yesterday.

Directors of Metway Bank yesterday threw their support behind the merger, after an independent report found that the terms were "fair and reasonable". The deal will now be considered by ordinary shareholders in the bank - the only privately-owned element in the merger - on November 13.

Nikki Tait, Sydney

### Sun Hung Kai suspended

Shares in Sun Hung Kai were suspended yesterday amid expectations that the Hong Kong securities company was planning a rights issue. The move raised the prospect that Shanghai International, the Hong Kong arm of China's biggest securities company, may take a stake in Sun Hung Kai by underwriting the issue.

Shanghai International has sought to acquire Sun Hung Kai, one of Hong Kong's oldest securities companies. Acquisition talks broke off in August following a failure to secure approval for the deal from Chinese industry regulators.

John Ridding, Hong Kong

### Jardine Pacific in HK push

Jardine Pacific, the trading and services arm of the Jardine Group, will today launch a corporate advertising campaign aimed at signalling its commitment to the Hong Kong market.

The campaign, which will include local newspaper and television advertisements, marks a move to counter the view that the trading conglomerate is shifting its emphasis from Hong Kong.

John Ridding

# Bakun wins approval for 4bn-share listing

By James Kyngye

Bakun Hydro-Electric Corp, the company which is to develop and operate south-east Asia's biggest dam, has won approval from the Malaysian government for a stock market listing.

The company's 4bn shares, tentatively scheduled to be offered at M\$2 each, will constitute one of the largest flotations on the Kuala Lumpur Stock Exchange (KLSE). It will also be one of the most unusual,

Brazil's Companhia Brasileira de Projetos e Obras. Mr Ting Pek Khing, Ekran executive chairman, hopes to finance more than half the cost of building the dam through the listing of Bakun's shares.

A 15 per cent stake has been reserved for Malaysian investors, and one of 10 per cent set aside for foreign shareholders.

"It will need people with a rather long-term perspective to buy into a company that will not have real earnings

for six years," said one brokerage house analyst. However, analysts said, Bakun is expected to be profitable after it starts power generation in 2002, and this may entice investors.

The other approved shareholders are the Sarawak state government, Sarawak Electricity Supply Corp, and the people of Sarawak, who will share 28 per cent; Malaysian Mining Corp will have 5 per cent; and the Employees Provident Fund, also 5 per cent.

Stock Exchange	Turnover year to Dec 1995 (\$bn)	Market Capitalisation on Dec 1995 (\$bn)
London	2,208.2	1,159.5
N.Y.	1,804.1	1,329.9
Paris	891.1	2,546.3
Germany	606.5	577.2
Japan	386.9	187.2
Stockholm	320.0	386.1
Osaka	251.6	2,261.7
Korea	155.4	182.0
Madrid	107.2	388.3
Amsterdam	125.4	286.6
Stockholm	106.2	N.A.
London	84.5	245.2
Hong Kong	55.8	308.7
Italy	54.2	203.2
Stockholm	36.2	172.8
Australia	27.7	137.2
Riyadh	26.5	219.4
Sao Paulo	8.0	N.A.

*Of the 17 Member Organizations 89 were active and 8 trading. There were 57 Member Corporations and 10 untraded.*

# ASX members consider future of their club

### The exchange will tomorrow vote on demutualisation

If stock market trading in Australia is a little despondent tomorrow afternoon, there could be good reason. At 4.30pm, just after the close, brokers will vote on a plan to "demutualise" their exchange and run it along the lines of a conventional, shareholder-owned company instead of a private club.

Shares in the new company could even be listed, provided regulatory issues are resolved.

Although a handful of exchanges, notably in Scandinavia, have made the transition to "corporate" status, the ASX would become the first outside Europe. It would also be one of the largest to undergo "corporatisation": last year, the ASX ranked 14th worldwide in turnover terms, behind Chicago and ahead of Hong Kong.

The plan has sparked debate in local stockbroking circles. The exchange is currently "owned" by its 819 members, who are either individuals (called "natural members") or organisations. All share equal voting rights, and membership of the exchange is a precondition to being able to trade.

Under demutualisation, this nexus would be broken. Anyone could own shares in the ASX. Similarly, access to the market would depend solely on an applicant's ability to meet financial and other criteria.

ASX directors claim a corporate structure would better equip the organisation to meet mounting competition from other exchanges in the region, as well as technological advances, such as the Internet. They cite the success of the Stockholm exchange - which changed status in 1998 - in regaining the lion's share of trading in Swedish companies after a local transactions tax had driven them overseas.

A second issue is whether members' interests may be diverging, making it difficult

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Nikki Tait

COMPANIES AND FINANCE: UK

Additional Interest Statement Disney Enterprises, Inc. (formerly The Walt Disney Company)\* U.S. \$400,000,000 Senior Participating Notes Due 1999

Semiannual Statement for the period from March 1, 1996 to August 31, 1996 (the "Period")

Pursuant to the terms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes of Disney Enterprises, Inc. (formerly The Walt Disney Company) (the "Company"). Capitalized terms used in this Statement have the meanings ascribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992, between the Company and Citibank, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar.

If this is an Annual Statement, this Statement is also accompanied by a descriptive report discussing the activity and status of Eligible Films. Copies of such descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Citibank, N.A., 120 Wall Street, New York, New York 10043.

Table with 4 columns: For the Period, From the Issue Date, From the Issue Date through end of Period, and From the Issue Date through end of Period. Rows include Total Revenues, Distribution Fees, Estimated Third Party Participation Payments, Residuals, Short Subject Revenues, Eligible Film Revenues, Base Amount, Excess of Base Amount, Contingent Interest, Supplemental Interest, Provisional Interest, and Provisional Interest paid per \$1,000 principal of Notes.

If this Statement is an Annual Statement, the Company has indicated below whether any default by the Company in the performance and observance of its obligations under the Notes or the Fiscal Agency Agreement has occurred and/or is continuing.

Disney Enterprises, Inc. (formerly known as The Walt Disney Co.)

By: Is Ingrid McConnell, Title: Manager of Project Finance

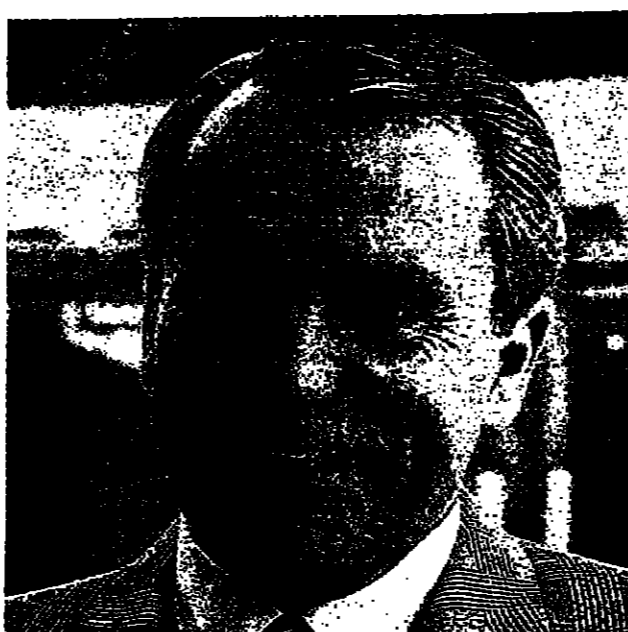
\*On February 9, 1996, Disney Enterprises, Inc. (formerly known as The Walt Disney Company) (the "Company") acquired Capital Cities/ABC, Inc. ("Capital Cities"). As a result of the acquisition, the Company was renamed Disney Enterprises, Inc. and became a wholly owned subsidiary of a new holding company named "The Walt Disney Company". Accordingly, the above-referenced Notes are securities of Disney Enterprises, Inc.

Smiths looks for partner

By Tim Burt

Smiths Industries, the UK engineering group, yesterday indicated that it might form a wide-ranging international alliance or joint venture to exploit growing demand for aerospace components.

The group, also a leading maker of medical systems and industrial engineering products, is monitoring the privatisation of Thomson, the French consumer and defence electronics group.



Keith Butler-Wheelhouse, chief executive designate

just as likely to form an alliance in the US, which accounts for more than half of its avionics output and where it has already forged links with Collins.

Sir Roger is splitting his dual role next month. Mr Keith Butler-Wheelhouse, formerly chief executive of Saab Automotive, will succeed him as chief executive.

Ramco in Azerbaijan link-up

By Robert Corzine

Ramco Energy, the USM-licensed oil services and development company, yesterday announced an alliance to develop oil reserves in Azerbaijan with Mobil of the US and Total of France.

PizzaExpress raises £25m

By David Blackwell

PizzaExpress, the rapidly growing pizza chain which floated in 1993, is raising \$25.5m (\$39.8m) to buy most of its franchised restaurants.

offer, underwritten by Credit Lyonnais Leasing, is for 3.06m shares. A further 2.63m will be placed in the US, but not underwritten.

The vendors will receive £17.9m in cash and £8m in loan notes. The rest of the consideration is made up of debt repayment and 42,000 new shares.

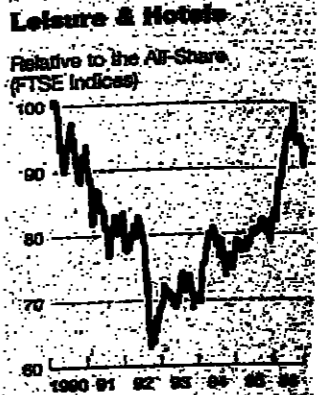
RESULTS

Table with 10 columns: Turnover (£m), Profit (€m), EPS (p), Current dividend (p), Date of payment, Dividends Corresponding dividend, Total for year, Total last year. Rows include Alexandra Wines, Blockleys, Brightpost-Gundry, Euro Stewart, Chapparral Races, BPS Partners, Financial Policy, Innovative Tech, Rodime S, Sealford Links, Town Centre, Wellington (West), and Wessex.

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. (In non-cash capital. Includes 10p special. SLS currency. Gross revenue. Gross premiums written. Comparatives for 10 months and restated. Company intends to pay interim of 4p in early December following completion of merger deal. For 16 months. Aim stock.

LEX COMMENT UK accounting

The Accounting Standards Board's discussion paper on valuing tangible fixed assets is a long-overdue attempt to tackle a problem which was at the heart of the collapse of Queens Moat Hotels in the early 1990s.



NEWS DIGEST Report censures Wickes auditors

Arthur Andersen, the auditors to DIY retailer Wickes, have been censured by a report into how the company came to over-state its profits by £51m.

In a circular to shareholders, dispatched yesterday, Wickes chairman Mr Michael von Brentano said Andersen, who are to resign, "should have reacted more effectively" to warning signals.

WMI 'happy' with Wessex

WMI, the waste management company, yesterday moved to end speculation that it was keen to sell its 20 per cent stake in Wessex Water, the utility company.

Devro buys rest of Cutisin

Devro, the food casings maker, yesterday launched an offer worth up to £11.1m (£17.3m) for the 43.5 per cent minority of Cutisin, a casings manufacturer based in the Czech Republic.

COMPAGNIE SUEZ INTERIM 1996 RESULTS NET INCOME OF FRF 772 MILLION AND SIGNIFICANT GROWTH IN OPERATING INCOME. At its meeting of October 15 chaired by Gérard Mestrallet, the Board of Directors of Compagnie de Suez closed the accounts for the six months ended June 30, 1996. Highlights of the interim results were as follows:

TO SAVE THE RAINFOREST WE PROVIDE TREES TO CHOP DOWN. By helping people in the rainforest to plant trees, WWF are working to solve some of the problems that cause deforestation.

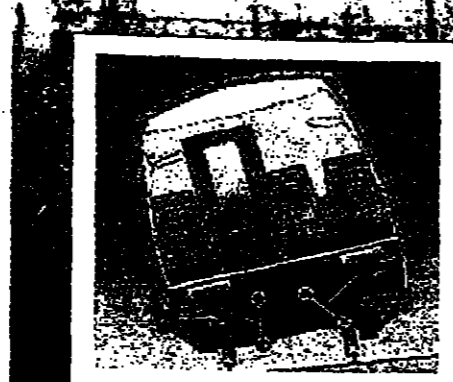
abrasca PROGRAM ROBERTO FALDINI President of Abrasca. H. E. RUBENS ANTONIO BARBOSA Brazilian Ambassador. Banco Itaú S.A. (Financial Sector). Ceval Alimentos S.A. (Food Sector).

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Handwritten text at the bottom center of the page: "هكذا من النهر"

TECHNOLOGY

New angles on speed



Cross-section of an Adtranz tilting mechanism



Fiat Ferroviaria's third-generation Pendolino, the ETR 460

Charles Batchelor on the revival of tilting trains in the UK  
**Inclined to try again**

The tilting train occupies a prominent niche in that unfortunate pantheon of clever inventions which the British either could not make work or could not quite bring to market.

The announcement that tilting trains are likely to be introduced on the busy but anxious tracks of Britain's main west coast rail line has reawakened memories of British Rail's embarrassing failure with tilt technology in the 1970s and early 1980s.

This project was scrapped after complaints from passengers of feeling queasy; a series of breakdowns and just three days of scheduled services in 1981. In fact, several companies around the world were developing tilt technology at the time when BR was working on its Advanced Passenger Train.

While the British dropped the idea, other countries continued to develop it. In Europe, Fiat Ferroviaria, the rail equipment subsidiary of the vehicle group, and ABB, Daimler-Benz Transportation (Adtranz) have a market lead. Tilting trains from these two companies are in use in Italy, Germany, Finland, Sweden and are an option for Switzerland, Spain, Portugal, the Czech Republic and the US.

If the 1980s and 1990s were the age of the high-speed train, as France, Germany, Spain and Italy developed extensive networks, the first decade of the new century is set to become that of the tilting train.

High-speed trains require dedicated lines which are either built from scratch or extensively upgraded, sophisticated signalling and train control systems, and relatively long distances between centres of population to make them viable.

Tilting trains can run on conventional track, can serve a mix of long-distance and commuter routes, and carry a premium of only about 10 per cent over the cost of conventional trains.

Most importantly they offer higher speeds and shorter journey times because the train body leans into curves. Train speeds can be increased by up to 40 per cent on corners and, because the train is not constantly braking and accelerating, there are savings on power supply and on brake components.

Early experiments in France in the 1950s concentrated on spontaneous body tilting or "passive" tilting, triggered by the centrifugal force developed in curves. The disadvantage was the slowness of the train body's responses.

The railway industry then switched to "active" systems

which detect the approach of a curve from the banking of the track and then activate the tilt by either hydraulic or electrical systems.

A variety of methods can be used to give advance warning of curves, explains Dee Razdan, Adtranz's UK engineering director. They include gyroscopes - which detect the cant produced by the fact that the outside rail on a curve is raised - radar, global positioning systems or intelligent computers which learn a route.

Fiat Ferroviaria, which recently launched its third generation Pendolino, the ETR 460, combines two techniques to monitor curves; a gyroscope to detect the cant of the railway line and an accelerometer to measure the degree of lateral movement.

These, combined with cut-out of the tilt mechanism at speeds of under 70kph, ensure that the tilt is not activated when the train passes over points or irregularities in the track, says Marzio Broda, of Fiat Ferroviaria's export sales department.

Once the tilt mechanism has been activated, jacks positioned under the floor raise the appropriate side of the carriage body

as each carriage enters the curve. On the first two generations of Fiat Pendolinos the tilt mechanism extended to the roof of the carriage and had to be disguised in partitions. The latest trains, however, tuck the entire mechanism under the floor, giving greater freedom when designing the layout of carriages.

Hydraulic jacks are being replaced by electrical systems.

**Privatisation has made the commercial argument for introducing the new trains even more compelling**

These are more expensive to install but they require less room under the carriage floor, where space for the increasingly complex train systems required is at a premium.

Railway lines are built with a cant on curves to allow higher speeds but there are limits to the degree of "installed cant" because of the danger of a train

toppling over if it is forced to stop. Track in Britain is designed with a maximum installed cant of 6in, equivalent to an angle of 6° degrees.

The tilting train allows additional cant to be provided and thus even higher speeds. British Rail's APT was originally designed to provide 12° of cant at 180mph but was later modified to run at 160mph with just 9° of cant. Fiat Ferroviaria designed its trains to allow up to 10° but subsequently decided to reduce this to 8° on the grounds of passenger comfort.

The original intention of the engineers was to tilt the train body to compensate fully for the lateral pressure which the passenger felt as the train negotiated the curve. But the problem encountered by passengers on the APT and other early prototypes was that while their eyes told them they were going through a curve their bodies were fooled into thinking they were sitting upright. The result was train sickness.

So the engineers now compensate for only 60 to 70 per cent of lateral pressure, enough for the passenger to be aware of the curve but not enough to feel

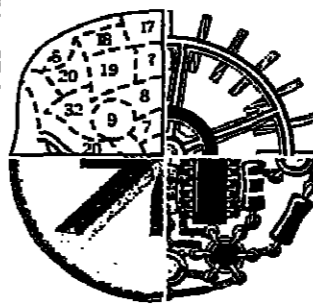
discomfort.

A large part of the difficulties experienced by BR was due not to the tilt mechanism of the APT but to the complexity of the train as a whole. It involved a formidable array of new technologies including a hydrokinetic braking system which froze, wide aluminium extrusions and new control systems. Getting all these right under tight time pressures proved too much, says Razdan.

Technological complexity should not be a problem this time. These technologies have become routine while privatisation has made the commercial argument for introducing the new trains even more compelling. Adtranz's X2000 tilting trains have reduced journey times between Stockholm and Gothenburg by more than 25 per cent and increased rail's market share on the 286-mile route from 41 to 55 per cent.

Adtranz estimates that it would take up to four years to modify its trains and have them running on the UK network. Tilting trains are expected to cut 30 minutes off the 2½ hour journey between London and Manchester and an hour off the 5½ hour London-Glasgow trip.

Worth Watching - Vanessa Houlder



Chemists tap into small oilfields

Geochemists at the University of Newcastle may have found an answer to one of the thorniest problems in oil exploration: how to work out the distance travelled by the oil from its source to the reservoir where it accumulates.

The scientists have shown that there is a correlation between the concentration of two organic molecules (both non-alkylated benzocarbazoles) which are present in trace quantities in oil and the distance they migrate, according to a report in today's Nature.

This approach could help identify new oil reserves by indicating the full geographical extent of known petroleum systems and the migration pathways near existing reservoirs. In the North Sea, for example, it might allow petroleum geologists to work out which of many potential migration pathways were used to fill known reservoirs, helping them discover small new oilfields on the route.

University of Newcastle: UK, tel (0191) 222 6355; fax (0191) 222 5431.

The last word on voice recognition

Speech recognition technology usually involves a trade-off between vocabulary size and the ability to recognise a wide range of voices. It is particularly difficult to devise a system that can cope with the extraneous noise of telephone calls.

Nuance Communications, a spin-off from SRI International, the Californian research group, believes it has broken new ground by developing a speaker-independent, continuous speech recognition

system that can recognise more than 100,000 words spoken over the telephone.

The system is being used by Charles Schwab & Company, the US discount broker, to provide investors with instant prices for more than 15,000 mutual funds, stocks and market indicators. The system can recognise any US regional accent and can make sense of most of the ways that a customer might describe a security.

SRI Consulting: UK, tel (01171) 446 6166; fax (01171) 446 6199.

Non-toxic material benefit

Scientists at Emory University in Atlanta have developed a self-decontaminating material to protect troops involved in chemical warfare.

The researchers impregnated a Spandex-like carbon-based cloth with an inexpensive, non-toxic catalyst called polyoxometalate that can decontaminate agents such as mustard gas and related chemicals.

The material destroys toxic agents on contact and also acts as a barrier to them. It is reusable because the catalyst's activity can be restored by heating. The research, which was supported by the US Army Research Office, was reported in this week's Chemistry of Materials, a journal of the American Chemical Society.

Emory University: US, tel 404 7276123; fax 404 7276586.

Picture this for conferencing

Most video-conferencing products are either bulky systems designed for groups or desktop systems for personal computers. PictureTel International, the video-conferencing specialist, has tried to broaden the market by launching a compact, television-based system that can be carried from room to room.

The SwiftSite system, which costs £8,895, is aimed at small- to medium-sized businesses as well as divisional and satellite offices of larger organisations.

PictureTel International: UK, tel (011753) 673000; fax (011753) 673010.

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	12 Months Ended 30th June 1996	Growth
Net Profit After Tax	Rp 61 billion	+94%
Earnings Per Share	Rp 243	+93%
Net Asset Value Per Share	Rp 12,734	
Total Debt (1995 - Rp 1,059 Billion)	Rp 424 Billion	-60%
Short-Term Debt (1995 - Rp 664 Billion)	Rp 141 Billion	-79%
Long-Term Debt (1995 - Rp 395 Billion)	Rp 283 Billion	-28%
Equity	Rp 635 Billion	
Net Debt/Equity	62%	
Earnings/Interest Coverage	2.31x	
Market Capitalization	Rp 1,344 Billion	

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Lippo Land Development is not the traditional property company in the sense of low margins, high leverage, and high rise commercial business district developments. We focus on urban development - building new townships through upfront investments in infrastructure, commercial public facilities, and "software". This is a business with high entry barriers and high margins, and where we have high competitive advantage.

We are pleased to report to our shareholders that we had a record year with net profit surging 94% to Rp 61 Billion. Thank you very much for the support of shareholders, investors, bankers, partners, and all of our dedicated staff."

Symbol: LPLDf.JK

Eddy Sindoro  
Chief Executive Officer



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INTERNATIONAL CAPITAL MARKETS

Prices fall across the board on profit-taking

GOVERNMENT BONDS

By Lisa Bransten in New York and Richard Adams in London

Government bond prices fell across the board yesterday, as varied concerns over a single European currency and the release of bearish economic data spurred some profit-taking.

Bonds fell in the US, Germany and the UK, with sharper falls coming in the higher-yielding European markets - especially Spain and Italy, which have been the best performers in recent weeks.

Mr Charles Diebel, senior fixed income analyst at Technical Data in London, said weakness in Europe was due to the faltering Treasury market and continued sniping from senior Bundesbank figures over who would participate in Emu.

Spain prepares tax changes to allow trading in strips on government bonds

Spain is close to adding a stripping facility to its government bond market, writes Richard Adams.

Mr Federico Ferrer, deputy director for foreign financing at the Spanish treasury, said the government was preparing to make the necessary changes - mainly in taxation - to allow trading in strips.

US inflation figures released yesterday were in line with analysts' expectations, but Treasury prices sank on profit-taking and rumours of selling by Asian and Latin American central banks.

Near midday, the benchmark 30-year Treasury was off 1/4% at 96 1/2 to yield 6.885 per cent, while at the short end of the maturity spectrum the two-year note slipped 1/8% to 100 1/2, yielding 5.945 per cent. The December

"The government is fully persuaded of the positive contribution of the strip market to increase liquidity of debt market issues," Mr Ferrer said. Tax considerations made the task more difficult, but Mr Ferrer said institutional changes to enhance the market should be made in the next few months.

Mr Henrik Lumholdt, chief economist at Bank of America in Madrid, said under the current tax regime, strips would be taxed on a daily basis. "I think what they are looking for is tax-exemption," he said. He believes strips would be beneficial to the Spanish bond market, and add to its overall liquidity.

Mr Ferrer also said Spain was increasing short-term funding ahead of European monetary union. He believes long-term borrowing costs will be much lower once the country has joined the European single currency. Spain started issuing six-month paper last month, for the first time since August 1995.

Mr Ferrer also said Spain was increasing short-term funding ahead of European monetary union. He believes long-term borrowing costs will be much lower once the country has joined the European single currency. Spain started issuing six-month paper last month, for the first time since August 1995.

fixed income trader at First Chicago Securities, said he expected Treasuries to continue to trade in a narrow range until there was some new data that gave investors a stronger sense about the direction of the US economy.

Simmering concerns over the eventual make-up of European monetary union finally boiled over into sharp losses in Spain and Italy.

Life's December BTP

future fell 1.28 to settle at 121.87, then hit a low of 121.31 in after-hours trading.

The December future on Spanish bonds closed at 106.28, down 1.20, while in the cash market the 10-year benchmark bond fell 1.35 to 105.73.

The Spanish market had risen steadily in the past three months on optimism that Spain could enter European monetary union in 1999.

The 10-year yield spread over bonds has fallen from 440 basis points in September 1995, to 155 points last week. Yesterday it corrected to 185 points.

Mr Kirit Shah, chief market strategist at Sanwa International, said the high yielders' setback was due to profit-taking, following continued critical comments from Bundesbank officials.

"Part of what we are witnessing is a delayed reaction to the Bundesbank's whispering campaign," he said.

French bonds fell late in the session, in the wake of other European markets. Matiff's December notional future settled at 125.84, down 0.60. In the cash market, the 10-year benchmark OAT fell 0.73 to 103.41. Its yield spread over the equivalent bond returned to zero, from minus 5 basis points.

Canadian bonds bucked the trend. A 25 basis point cut in the central bank's key interest rate to 3.75 per cent boosted the 10-year benchmark bond, which closed 0.07 higher at 102.750, yielding 6.62 per cent.

In the case of Italy, the fall was due to a poor set of industrial figures, he said. Industrial output fell an unadjusted 11.3 per cent in August from a year earlier, compared with a revised unadjusted 4.1 per cent rise in July.

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Matiff, the French derivatives market, yesterday revealed new measures linked to European economic and monetary union.

The exchange said the coupon on its notional bond future would be reduced to current market levels. It now stands at 10 per cent, while underlying 10-year government bonds yield almost 6 per cent, so the contract is trading at a premium of more than 25 per cent.

Such a move was considered several years ago, but Matiff chose not to modify its contract to avoid disrupting trading. The exchange now says motivations for a change have evolved. "This time, we have to take into account the move to the single currency," it explained.

Market participants welcomed the decision and dismissed the risk of disruption. "Life [the London futures exchange] has changed the coupon on its long gilt contract in the past," said Mr Eldred Buck, global head of research at Fimat, the futures brokerage arm of Société Générale. "It did not affect the contract's liquidity."

Mr Buck speculated that the notional's coupon might be set at 6 per cent. "This would be in line with market yields and would match the coupon on [Life's] bond future," he added.

Matiff revealed other Euro-related decisions, the most significant being the creation of products denominated in the euro - the planned European single currency - "covering all the maturities of the yield curve."

Retail demand spurs sterling

INTERNATIONAL BONDS

By Conner Middelmann

The sterling eurobond sector was very active yesterday, spurred by the resurgence of continental European retail demand for shorter-dated sterling bonds in light of the currency's strong performance.

The European Investment Bank was quick to tap into this positive sentiment with a £250m offering of seven-year bonds priced at a tight spread of 3 basis points over the 8 per cent gilt due 2003 - equivalent to about two basis points below the yield curve.

In spite of the aggressive pricing, the bonds saw strong demand, especially from retail accounts in Switzerland and Germany but also from investors in Japan,

and some buying by UK fund managers.

The Bank of Scotland followed suit late in the day with £100m of three-year bonds, tapping into Swiss retail demand which has pushed the spread on Dresden Bank's £150m of bonds down to 12 basis points from 17 at launch last Friday, an official at least Dresdner-Kleinwort Benson said.

While the Bank of Scotland is not a classic retail name, he said the bonds' 35-basis-point yield, well above most bonds in that maturity, was attracting Continental and UK demand.

The lira sector was also active, although the day's three new issues were damped by the sell-off in underlying government bonds. LKB Baden-Württemberg issued £300m of seven-year bonds while the Com-

cell of Europe and the EIB each launched £200m of five-year paper.

The Portuguese bond market saw the first asset-backed Caravela bond issue, a €57.5bn floating-rate transaction for BA Credit Card Corp, backed by a Visa and MasterCard portfolio managed by Bank of America.

The US dollar sector saw a large assortment of small to medium-sized offerings, including \$100m of five-year bonds for Banque Audi, the longest-dated private-sector transaction out of Lebanon and the first Lebanese deal to be sold to US investors under SEC Rule 144a. There was also a \$100m three-year deal for the World Bank, callable after one year, targeted at European retail accounts and lead-managed by Sanwa International.

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New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Lists various international bond issues from Lehman Brothers Holdings, ABN-Amro Bank, etc.

WORLD BOND PRICES

Table with columns: Country, Bond Name, Price, Yield, etc. Lists benchmark government bonds for Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury, etc.

BUND FUTURES OPTIONS (LIFE) DM250,000 points of 100%

Table with columns: Strike, Price, Call, Put, etc. Lists Bund futures options data.

ITALY NATIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFE) Lit 200m 100ths of 100%

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol, Open Int. Lists Italian BTP futures data.

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFE) Lit200m 100ths of 100%

Table with columns: Strike, Dec, Mar, Jun, Sep, etc. Lists Italian BTP futures options data.

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol, Open Int. Lists Spanish MEFF futures data.

UK

NOTIONAL UK GILT FUTURES (LIFE) £50,000 Strds of 100%

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol, Open Int. Lists UK GILT futures data.

LONG GILT FUTURES OPTIONS (LIFE) £50,000 Strds of 100%

Table with columns: Strike, Price, Call, Put, etc. Lists UK GILT futures options data.

ECU

ECU BOND FUTURES (MATIF) ECU100,000

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol, Open Int. Lists ECU bond futures data.

US

US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol, Open Int. Lists US Treasury bond futures data.

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFE) ¥100m 100ths of 100%

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol, Open Int. Lists Japanese government bond futures data.

FTSE Actuaries Govt. Securities

Table with columns: Price Index, Yield, etc. Lists FTSE Actuaries Government Securities data.

FT Fixed Interest Indices

Table with columns: Index Name, Value, etc. Lists FT Fixed Interest Indices data.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on October 16.

Large table listing international bonds with columns: Issuer, Bid, Offer, etc. Includes US Dollar Strands, Swiss Franc Strands, etc.

UK Index Yield

Table with columns: Index Name, Yield, etc. Lists UK Index Yield data.

Gilt Edged Activity Indices

Table with columns: Index Name, Value, etc. Lists Gilt Edged Activity Indices data.

FLOATING RATE NOTES

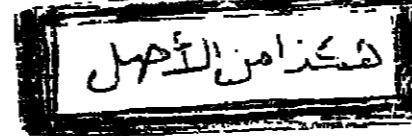
Table with columns: Issuer, Bid, Offer, etc. Lists Floating Rate Notes data.

CONVERTIBLE BONDS

Table with columns: Issuer, Bid, Offer, etc. Lists Convertible Bonds data.

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Bundesbank view on EMU hits lira

Mr Hans Tietmeyer, the Bundesbank president, had told the French newspaper Le Monde that one-off measures by European countries to cut budget deficits would not be enough to gain them entry.

The Bank of Canada's 18th rate cut in less than 18 months left the Canadian dollar virtually unchanged at \$1.5545, because the market had already discounted the 25 basis points reduction in the key Bank Rate to 3.75 per cent.

Mr Hans-Juergen Koebnick, a member of the Bundesbank's council, said Italy and Spain would probably not be among the first group of countries joining the currency union in 1999, but should be among the second group joining before 2002.

The Bank said yesterday: "Given a stronger Canadian dollar, this action was designed to keep overall monetary conditions from tightening." This explanation surprised some currency strategists, because although the Canadian dollar has appreciated by more than 5 per cent since the start of 1995, it has hardly risen since May of that year.

POUND SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Oct 16, Closing mid-point, Change on day, Bid/offer spread, Day's Mid, One month, Three months, One year, Bank of England, %/A, %/B, %/C, %/D, %/E, %/F, %/G, %/H, %/I, %/J, %/K, %/L, %/M, %/N, %/O, %/P, %/Q, %/R, %/S, %/T, %/U, %/V, %/W, %/X, %/Y, %/Z.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Oct 16, Closing mid-point, Change on day, Bid/offer spread, Day's Mid, One month, Three months, One year, J.P. Morgan, %/A, %/B, %/C, %/D, %/E, %/F, %/G, %/H, %/I, %/J, %/K, %/L, %/M, %/N, %/O, %/P, %/Q, %/R, %/S, %/T, %/U, %/V, %/W, %/X, %/Y, %/Z.

CROSS RATES AND DERIVATIVES

Table with columns: Oct 16, BPT, DMK, PFF, DM, IE, L, FI, MGR, Es, Pts, SFR, E, CS, S, Y, Ecu.

UK INTEREST RATES

Table with columns: Oct 16, Over-night, 7 days, One month, Three months, Six months, One year.

UK MONEY RATES

Table with columns: Oct 16, Over-night, 7 days, One month, Three months, Six months, One year.

EMU EUROPEAN CURRENCY UNIT RATES

Table with columns: Oct 16, Euro cent, Rate against Euro, Change on day, %/A, %/B, %/C, %/D, %/E, %/F, %/G, %/H, %/I, %/J, %/K, %/L, %/M, %/N, %/O, %/P, %/Q, %/R, %/S, %/T, %/U, %/V, %/W, %/X, %/Y, %/Z.

BASE LENDING RATES

Table with columns: Bank Name, Rate, %.

NON-ERM MEMBERS

Table with columns: Country, Rate, %.

THREE MONTH STERLING FUTURES (LFFE) \$500,000 points of 100%

Table with columns: Dec, Mar, Jun, Sep, Open, Settle, Price, Change, High, Low, Est. vol, Open Int.

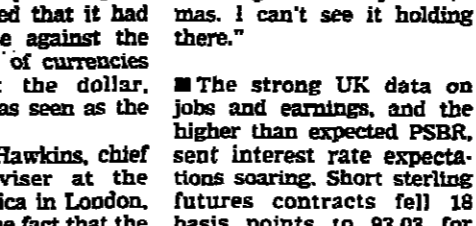
THREE MONTH EURO DOLLAR FUTURES (EMDF) \$1m points of 100%

Table with columns: Dec, Mar, Jun, Sep, Open, Settle, Price, Change, High, Low, Est. vol, Open Int.

THREE MONTH EURO DOLLAR FUTURES (EMDF) \$1m points of 100%

Table with columns: Dec, Mar, Jun, Sep, Open, Settle, Price, Change, High, Low, Est. vol, Open Int.

STERLING



Most currency analysts expected the pound to resume its upward path soon, but added that it had further to rise against the D-Mark group of currencies than against the dollar.

OTHER CURRENCIES

Table with columns: Oct 16, Cash, %/A, %/B, %/C, %/D, %/E, %/F, %/G, %/H, %/I, %/J, %/K, %/L, %/M, %/N, %/O, %/P, %/Q, %/R, %/S, %/T, %/U, %/V, %/W, %/X, %/Y, %/Z.

WORLD INTEREST RATES

Table with columns: October 16, Over-night, One month, Three months, Six months, One year, Lomb. Inter., De. rate, Repo rate.

EURO CURRENCY INTEREST RATES

Table with columns: Oct 16, Short term, 7 days, One month, Three months, Six months, One year.

THREE MONTH EURO DOLLAR FUTURES (EMDF) \$1m points of 100%

Table with columns: Dec, Mar, Jun, Sep, Open, Settle, Price, Change, High, Low, Est. vol, Open Int.

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COMMODITIES AND AGRICULTURE

Delays push up Kennecott smelter costs

By Kenneth Gooding in Salt Lake City
Kennecott Corporation, the US subsidiary of RTZ-CRA, the world's biggest mining group, yesterday admitted that delays to its new US smelter-refinery project have pushed up costs by 14 per cent, from \$880m to \$1bn.

molybdenum - to roughly 25 cents a pound, among the lowest in the industry. Mr Bob Cooper, Kennecott's president, gave an indication of the impact when he revealed that earnings in the first half of 1996 would have nearly tripled from the reported net attributable \$59m to \$159m.



The Bingham Canyon smelter-refinery project should be operating at full capacity by 1997

where molten metal is cooled and formed into slabs. Mr George said the anode plant had "not performed acceptably at all so far". He blamed this partly on an "inexperienced" team of engineers allocated to the project by Sumitomo, of Japan, which designed the plant. Mr George said a special task-force drawn from across the RTZ-CRA group, as well as some outside consultants, had been set up to tackle the problem.

"Basically, we are reconstructing the plant," he said. Mr George said the anode plant was not a high-tech operation and he was confident Kennecott would meet the latest target for full capacity working. Mr Bruce Farmer, the president of Kennecott Utah Copper Corporation, said there was nothing fundamentally wrong with the smelter or its technology, but admitted that the original commissioning targets had been too optimistic. "It will be a success - I have no doubt about that," he insisted.

The company has insurance covering interruption to business and loss of profit and is in negotiations with its insurers. In spite of the delays, Kennecott's copper output this year is forecast to fall by less than 2.5 per cent to 373,000 short tons and gold production to rise by 10 per cent to 995,000 Troy ounces.

Timor Sea oilfields closer to start-up

By Nikki Tait in Sydney

Development of the Elang and Kakatua oilfields in the Timor Sea moved a step closer yesterday after two junior partners in the project approved a \$990m (US\$71m) plan to bring the fields on stream.

Petroz and Santos, two Australian-listed groups with stakes of 21.4 per cent and 14.9 per cent, respectively, in the fields, said they had given the go-ahead. The development plan will now go for approval to the joint authority, which oversees the "zone of co-operation" area in the Timor Sea under a treaty between Australia and Indonesia.

Santos said production could start in mid-1998, if all went smoothly. The fields are estimated to contain around 17m barrels of proved and probable reserves, and lie around 480km north-west of Darwin.

They would have a short life, of around two to three years. The biggest stakeholder, and operator of the project, is BHP, with 42.4 per cent. Inpet Sahul has a further 21.2 per cent.

Broken Hill Proprietary, the Australian resources group, has sold its 20 per cent interest in Sun Prospecting and Mining to Anglovaal, the South African mining company, for \$216m (A\$60m). The holding, in an undeveloped gold prospect in South Africa, was acquired by BHP when it took over the US-based Utah International minerals group in 1984.

BHP said it would make a profit of around \$45m on the sale. It recently sold its 60 per cent stake in the Syama gold mine in Mali to Randgold Resources, and has been pruning back its portfolio generally.

COMMODITIES NEWS DIGEST

Banana farmers return to work

A rebel banana-farmers' union in St Lucia has ended a two-week strike which had affected fruit exports from the Windward Islands, the main source of UK imports. The Banana Salvation Committee said it was ending the strike following meetings with a government-appointed committee which proposed restructuring the industry on the island, the biggest exporter in the Caribbean. The union has been asking for changes in the administration of the banana industry, with farmers having more control. It also said it wanted to be allowed to sell its bananas to any marketer, including Chiquita Brands of the US. Farmers in the four islands are contractually bound to sell export fruit to their regional marketing agency.

Swiss in soybean protest

Switzerland's two biggest food retailers, which control 49 per cent of the Swiss market, are demanding that US soybean producers separate new genetically altered beans from the conventional crop. Migros, the largest Swiss retailer with 24 per cent market share, and Co-op Schweiz, the number two retailer, said consumers wanted to know what was in their food.

Europe is due for its first shipments of genetically-altered soybeans - developed by US chemicals group Monsanto - later this year from the new harvest. Soybeans, soy oil and derivatives are used in some 30,000 food products, including confectionery and margarine.

Migros and Co-op spoke out three weeks after EuroCommerce, representing food retailers and wholesalers in 20 European countries, warned that European consumers could shun this year's US soybean harvest unless gene-modified strains were labelled. "We are urging our suppliers to push for a separation [of genetically altered soybeans]," said Migros.

The US grain industry says it would be costly and impractical to separately handle crops indistinguishable from traditional varieties.

Inmet suspends copper project

Inmet, the Canadian mining group, has finally suspended pilot operations at its Copper Range project in Michigan because of regulatory uncertainty. It may take a write-down in the third quarter. Pressure from native and environmental groups has prompted the US Environmental Protection Agency to order a full-scale analysis that could take 18 months. Inmet has invested \$2m in the solution mining project and said it will not spend more until the environmental uncertainties are cleared up. The property has potential annual capacity of 60m pounds. Inmet ended conventional mining at Copper Range in 1996 because of high costs.

Copper prices lose five days of gains

By Deborah Hargreaves and Robert Corzine

Copper prices slumped towards the bottom of their recent range yesterday, wiping out five days of gains. The price for three-month metal slid to \$1.909 a tonne in late trading, down from \$1.951 a tonne on Tuesday.

"The market was fairly steady this morning with some cash buying, but New York's opening was weak and there was some liquidation of long positions which pushed prices lower," said

Mr William Adams, research analyst at Rudolf Wolff. Traders tried to push copper through a key technical barrier of \$1,970 a tonne on Tuesday, but failed. Analysts believe prices could move higher in the next couple of months, but that the longer-term trend is for weakness.

Mr Angus MacMillan, research manager at Billiton, part of the GenCorp group, said 4m tonnes of capacity was due to come on stream from 1995 to 2000. This is expected to push the surplus of production over consumption to 300,000 tonnes next year.

Mr MacMillan is forecasting a drop in copper prices to an average of \$1,760 a tonne for next year. Aluminium fell \$15 to \$1,341 a tonne. Although the market is off its 2 1/2 year low of \$1,305 a tonne reached on October 10, it has failed to bounce as much as expected. "The market has paused, but consumers are still operating on a hand-to-mouth basis and could come back to the market in force," said Mr MacMillan.

Lead prices slipped \$11 to \$738 a tonne. The International Lead and Zinc Study group expects global lead consumption to grow by 2.7 per cent next year to 5.7m tonnes. It said supply of refined metal would exceed demand for the first time since 1994.

Zinc demand, which set a new record last year, is expected to grow by 2.8 per cent in 1997 to 7.8m tonnes. A fall in prices dragged crude oil down yesterday after days of refined product-led increases. Gas oil futures on London's International Petroleum Exchange shed \$3 to \$327.50 a tonne. Physical gas oil prices were also lower as traders took account of US

gas oil cargoes heading towards Europe. Heating oil prices came under pressure in the US in spite of a report from the American Petroleum Institute showing a lower than expected build-up of stocks. In late London trading Brent blend, the global crude benchmark, was around \$24.55 a barrel for November delivery, and \$24 a barrel for December shipments.

Sugar prices have been weakened by poor demand in Europe and the possibility of surplus exports from Poland and India, according to E.D.&F. Man.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table with columns for metal types (Aluminum, Lead, Tin, Zinc, Nickel), contract types (Cash, 3 months, 6 months, 9 months, 12 months), and prices.

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz.)

Table with columns for gold prices (Settle, Day's price change, High, Low, Vol, Open) and silver prices (Settle, Day's price change, High, Low, Vol, Open).

GRAINS AND OIL SEEDS

WHEAT LIFFE (\$/tonne)

Table with columns for wheat prices (Settle, Day's price change, High, Low, Vol, Open) and other grain prices (Corn, Soybeans, Barley, Maize).

SOFTS

COFFEE LIFFE (\$/tonne)

Table with columns for coffee prices (Settle, Day's price change, High, Low, Vol, Open) and other soft commodity prices (Cocoa, Rubber, Sugar).

MEAT AND LIVESTOCK

LIVE CATTLE CME (40,000 lbs; cents/lb)

Table with columns for livestock prices (Settle, Day's price change, High, Low, Vol, Open) including cattle, hogs, and sheep.

ENERGY

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

Table with columns for energy prices (Settle, Day's price change, High, Low, Vol, Open) including crude oil, heating oil, and natural gas.

PRECIOUS METALS

LONDON BULLION MARKET

Table with columns for precious metal prices (Settle, Day's price change, High, Low, Vol, Open) including gold, silver, and platinum.

INDICES

REUTERS (Base: 1993=100)

Table with columns for index prices (Settle, Day's price change, High, Low, Vol, Open) including various commodity and stock indices.

PRECIOUS METALS

LONDON BULLION MARKET

Table with columns for precious metal prices (Settle, Day's price change, High, Low, Vol, Open) including gold, silver, and platinum.

LEADS

LEADS (2,000 US gals; \$/gallon)

Table with columns for lead prices (Settle, Day's price change, High, Low, Vol, Open).

LEADS

LEADS (2,000 US gals; \$/gallon)

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Table with columns for lead prices (Settle, Day's price change, High, Low, Vol, Open).

JOTTER PAD

A grid for a crossword puzzle with numbers indicating starting positions for words.

CROSSWORD

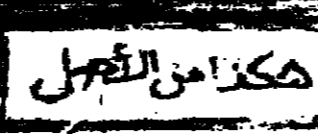
No. 9,201 Set by ANIUM

A crossword puzzle grid with numbers 1 through 30 indicating starting positions for clues.

- 1 The soldiers' hill guide (8)
2 Man's man phrase (5)
3 Get log chopped for Peg (6)
4 A Venetian of Will (8)
5 Sequence of crops turned to in allotment? (8)
6 One politician to finish? (about to happen) (6)
7 Examine closely or glance over quickly? (4)
8 Aren't I able to bring force to apply to bridge? (10)
9 Perhaps sack the man with the job (10)
10 The national network rejected sad song endlessly (4)
11 Faces out with a bit of energy to get away (6)
12 Moral standards not weighing much nowadays? (8)
13 I'm tiny or alternatively a small political group (6)
14 Break in a game (4)
15 Collect some brass emblems (8)
16 I don't get it - I'm capped (6)
17 On the command, tidy up again? (7)
18 In California with ice around in the area? (7)
19 Swell time? (7)
20 The coloured flare doesn't weigh much (4,5)
21 Escort car phone out of order (8)
22 Forestral terrible temper following parking (3,4)
23 Wreck of a ship (not 'The Queen') (7)
24 Clergyman's old car outside university (6)
25 Container, aluminium, that contains water (6)
26 Pig enclosure at back of farmhouse is an eyesore (6)
27 I don't get it - I'm capped (6)
28 On the command, tidy up again? (7)
29 In California with ice around in the area? (7)
30 Swell time? (7)

Solution 9,200

A grid for the solution to the crossword puzzle, with words filled in.



FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various offshore funds under Bermuda jurisdiction, including fund names, managers, and performance metrics.

BERMUDA (REGULATED)\*\*

Table listing regulated offshore funds under Bermuda jurisdiction, including fund names, managers, and performance metrics.

GUERNSEY (SIB RECOGNISED)

Table listing offshore funds under Guernsey jurisdiction, including fund names, managers, and performance metrics.

GUERNSEY (REGULATED)\*\*

Table listing regulated offshore funds under Guernsey jurisdiction, including fund names, managers, and performance metrics.

GUERNSEY (SIB RECOGNISED)

Table listing offshore funds under Guernsey jurisdiction, including fund names, managers, and performance metrics.

IRELAND (SIB RECOGNISED)

Table listing offshore funds under Ireland jurisdiction, including fund names, managers, and performance metrics.

IRELAND (REGULATED)\*\*

Table listing regulated offshore funds under Ireland jurisdiction, including fund names, managers, and performance metrics.

IRELAND (SIB RECOGNISED)

Table listing offshore funds under Ireland jurisdiction, including fund names, managers, and performance metrics.

IRELAND (REGULATED)\*\*

Table listing regulated offshore funds under Ireland jurisdiction, including fund names, managers, and performance metrics.

IRELAND (SIB RECOGNISED)

Table listing offshore funds under Ireland jurisdiction, including fund names, managers, and performance metrics.

UK ACCUMULATED MANAGEMENT LTD - CONTD.

Table listing UK Accumulated Management Ltd funds, including fund names, managers, and performance metrics.

UK ACCUMULATED MANAGEMENT LTD - CONTD.

Table listing UK Accumulated Management Ltd funds, including fund names, managers, and performance metrics.

UK ACCUMULATED MANAGEMENT LTD - CONTD.

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UK ACCUMULATED MANAGEMENT LTD - CONTD.

Table listing UK Accumulated Management Ltd funds, including fund names, managers, and performance metrics.

Advertisement for 'The Financial Times plans to publish a Survey on Jordan on Friday, October 25'.

Contact information for Tina McGorman, Tel: 0171 873 4816, Fax: 0171 873 3595.

FT Surveys

Table listing FT Surveys for various international funds, including fund names, managers, and performance metrics.

UK ACCUMULATED MANAGEMENT LTD - CONTD.

Table listing UK Accumulated Management Ltd funds, including fund names, managers, and performance metrics.

UK ACCUMULATED MANAGEMENT LTD - CONTD.

Table listing UK Accumulated Management Ltd funds, including fund names, managers, and performance metrics.

UK ACCUMULATED MANAGEMENT LTD - CONTD.

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UK ACCUMULATED MANAGEMENT LTD - CONTD.

Table listing UK Accumulated Management Ltd funds, including fund names, managers, and performance metrics.

UK ACCUMULATED MANAGEMENT LTD - CONTD.

Table listing UK Accumulated Management Ltd funds, including fund names, managers, and performance metrics.

ISLE OF MAN (SIB RECOGNISED)

Table listing offshore funds under Isle of Man jurisdiction, including fund names, managers, and performance metrics.

ISLE OF MAN (REGULATED)\*\*

Table listing regulated offshore funds under Isle of Man jurisdiction, including fund names, managers, and performance metrics.

ISLE OF MAN (REGULATED)\*\*

Table listing regulated offshore funds under Isle of Man jurisdiction, including fund names, managers, and performance metrics.

ISLE OF MAN (REGULATED)\*\*

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ISLE OF MAN (REGULATED)\*\*

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UK ACCUMULATED MANAGEMENT LTD - CONTD.

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UK ACCUMULATED MANAGEMENT LTD - CONTD.

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UK ACCUMULATED MANAGEMENT LTD - CONTD.

Table listing UK Accumulated Management Ltd funds, including fund names, managers, and performance metrics.

Vertical text on the left edge of the page, including 'NEWS DIGEST' and 'farmers to work'.



FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Main table listing various fund categories such as Global, UK, and Offshore funds, with columns for fund name, price, and other details.

SEND US YOUR OWN PAPERCLIP. And while you are at it, please attach your cheque to fund more Macmillan Nurses in the fight against cancer. (Did you know over one million people are living with it?)

OTHER OFFSHORE FUNDS

Table listing other offshore funds with columns for fund name, price, and other details.

MANAGED FUNDS NOTES. Please refer to pages 10-12 for more information on the funds listed in this section.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks, Merchant sector with columns for company name, price, and change.

BANKS, RETAIL

Table listing companies in the Banks, Retail sector with columns for company name, price, and change.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Rest sector with columns for company name, price, and change.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector with columns for company name, price, and change.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Mats. & Merchants sector with columns for company name, price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, price, and change.

CHEMICALS - Cont.

Continuation of Chemicals sector table.

DISTRIBUTORS

Table listing companies in the Distributors sector with columns for company name, price, and change.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector with columns for company name, price, and change.

ELECTRICITY

Table listing companies in the Electricity sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Eqpt sector with columns for company name, price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of Electronic & Electrical Eqpt sector table.

ENGINEERING

Table listing companies in the Engineering sector with columns for company name, price, and change.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector with columns for company name, price, and change.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector with columns for company name, price, and change.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector with columns for company name, price, and change.

HEALTH CARE

Table listing companies in the Health Care sector with columns for company name, price, and change.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector with columns for company name, price, and change.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INSURANCE

Table listing companies in the Insurance sector with columns for company name, price, and change.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector with columns for company name, price, and change.

INV TRUSTS SPLIT CAPITAL

Table listing companies in the Inv Trusts Split Capital sector with columns for company name, price, and change.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

Continuation of Investment Trusts sector table.

Continuation of Investment Trusts sector table.

Continuation of Investment Trusts sector table.

Continuation of Investment Trusts sector table.

Continuation of Investment Trusts sector table.

Continuation of Investment Trusts sector table.

To be a world leader in diverse businesses you need the very best scientists and engineers. Rockwell has 15,000 of them.



مركز من الأعمال

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Chg.

LEISURE & HOTELS - Cont.

Table listing leisure and hotels companies with columns for Name, Price, and % Chg.

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, and % Chg.

MEDIA

Table listing media companies with columns for Name, Price, and % Chg.

PAPER, PACKAGING & PRINTING - Cont.

Table listing paper, packaging & printing companies with columns for Name, Price, and % Chg.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, and % Chg.

PROPERTY

Table listing property companies with columns for Name, Price, and % Chg.

RETAILERS, FOOD

Table listing retailers and food companies with columns for Name, Price, and % Chg.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and % Chg.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, and % Chg.

TELECOMMUNICATIONS - Cont.

Table listing telecommunications companies with columns for Name, Price, and % Chg.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and % Chg.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Chg.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Chg.

WATER

Table listing water companies with columns for Name, Price, and % Chg.

AIM - Cont.

Table listing AIM companies with columns for Name, Price, and % Chg.

AMERICANS

Table listing American companies with columns for Name, Price, and % Chg.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Chg.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Chg.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Chg.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration & production companies with columns for Name, Price, and % Chg.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Chg.

OIL, INTEGRATED

Table listing integrated oil companies with columns for Name, Price, and % Chg.

OTHER FINANCIAL

Table listing other financial companies with columns for Name, Price, and % Chg.

LEISURE & HOTELS

Table listing leisure and hotels companies with columns for Name, Price, and % Chg.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging & printing companies with columns for Name, Price, and % Chg.

PROPERTY - Cont.

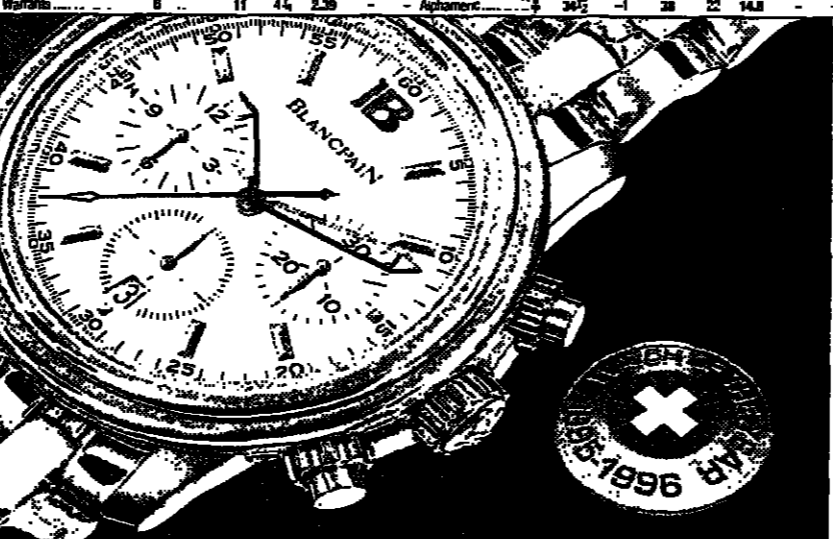
Table listing property companies with columns for Name, Price, and % Chg.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Chg.

AIM

Table listing AIM companies with columns for Name, Price, and % Chg.



GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by email, part of FT Cityline, are available on the FT Cityline website. Company classifications are based on those used for the FTSE Actuaries Share Indices. Prices are shown in pence and are based on the latest available data. Prices are shown in pence and are based on the latest available data. Prices are shown in pence and are based on the latest available data.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with FT Cityline service. Please quote the code FT8978. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

LONDON STOCK EXCHANGE

Inflation fears re-ignite and unsettle shares

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

An increasingly volatile Wall Street, plus some disturbing UK economic data, brought the London market's upward march to an abrupt halt yesterday.

The lacklustre sentiment in the leaders filtered through to the second-rank stocks, where the FTSE 250 slipped 10.7 to 4,382.2, but there was little or no sizeable selling of the small caps.

Mr Richard Jeffrey, group economist at Charterhouse Bank, said: "The economic situation in the UK is looking increasingly worrying. A tightening of monetary policy might be a good thing."

New York, down over 30 points and well below 6,000, London gave further ground. Wall Street appeared to be damaged by a sell-off in the high-tech stocks.

He also said that the market had got used to taking 30-point drops in its stride and it now had to get used to 60-point moves.

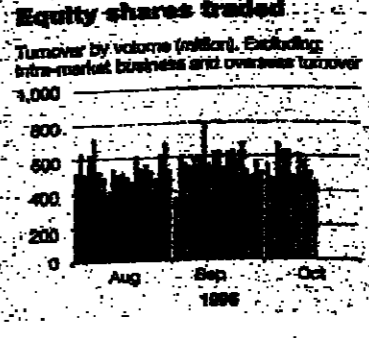
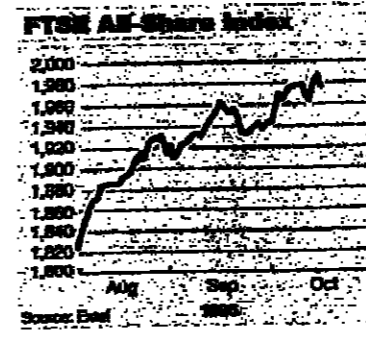


Table with 2 columns: Index Name and Value. Includes FTSE 100 (4024.4), FTSE 250 (4382.2), FTSE 350 (2002.0), FTSE All-Share (1975.89), and FTSE All-Share yield (3.74).

Table with 2 columns: Index Name and Value. Includes FT 30 (2655.6), FTSE Non-Fin p/e (18.20), FTSE 100 Fut Dec (4067.0), 10 yr gilt yield (6.74), and Long gte/equity yld ratio (2.12).

Best performing sectors

Table listing best performing sectors: Gas Distribution (+2.0), Alcoholic Beverages (+1.7), Retailers: Food (+0.9), Leisure & Hotels (+0.8), Breweries: Pubs & Rest (+0.0).

Worst performing sectors

Table listing worst performing sectors: Electronic Elec (-1.5), Tobacco (-1.2), Insurance (-1.1), Oil: Integrated (-1.1), Electricity (-1.1).

FUTURES AND OPTIONS

Table showing FTSE 100 Index Futures (LIFFE) and FTSE 250 Index Futures (LIFFE) with columns for Dec, Mar, Jun, and Sep.

FTSE 100 INDEX OPTION (LIFFE)

Table showing FTSE 100 Index Option (LIFFE) with columns for Dec, Mar, Jun, and Sep, and various option types.

Options boost Allied

By Peter John and Lisa Wood

Allied Domecq was top performer on the FTSE 100, rising 25 1/2 to 482 1/2 after a squeeze on the stock in the afternoon.

officer of Roche Holdings. And, as a former chief operating officer of Glaxo who spent 14 years working in the UK, he knows Zeneca well and is said to be keen that Roche should not play second fiddle to his old employer.

overseas profits against a declining UK market. Unilever fell 1 1/2 to 1346 1/2 on profit-taking as the market grew more nervous ahead of third-quarter results.

Standard & Poor's. The credit rating agency raised the pharmaceutical company's term rating to AA from AA minus, and said the outlook was stable.

Standard & Poor's. The credit rating agency raised the pharmaceutical company's term rating to AA from AA minus, and said the outlook was stable.

LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues in London, including company names, issue sizes, and prices.

TRADING VOLUME

Table showing trading volume for major stocks, including company names and volume figures.

There were also strong rumours that Credit Lyonnais Laing, which has been bearish on Allied, will put out a note today moving from a "hold" to a "buy".

Consequently, GEC slipped 1 1/2 to 386 1/2, BAE rose 19 to 1132 1/2 and Smiths Industries, further helped by a very strong set of results gained 12 to 805 1/2.

Standard Chartered fell 10 to 680 1/2, still burdened by recent cautious comments from Casenove, the company's broker.

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FT GOLD MINES INDEX

Table showing FT Gold Mines Index with columns for Oct 16, Oct 15, Oct 14, Oct 13, and Oct 12.

FTSE Actuarial Share Indices

Table showing FTSE Actuarial Share Indices with columns for Days, Oct 16, Oct 15, Oct 14, Oct 13, and Oct 12.

Behind the genuine market interest lay a more nebulous twist to the now ancient story that Roche of Switzerland is interested in making an offer for Zeneca.

Imperial Tobacco dropped 5 to 386 1/2 after Credit Lyonnais Laing published a "sell" note on the stock.

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Hourly movements

Table showing hourly movements for FTSE 100, FTSE 250, and FTSE 350.

FTSE 350 Industry baskets

Table showing FTSE 350 Industry baskets with columns for Index Name and Value.

Advertisement for United Cinema International Multiplex B.V. featuring a £240,000,000 Multiple Currency Revolving Credit Facility. Includes logos for UCI and Bank of America, and lists various financial and management roles.

Advertisement for FTSE Actuarial Share Indices. Includes a table of indices, a section for FTSE Actuarial Industry Sectors, and a section for FTSE 350 Industry baskets. The FTSE logo is prominently displayed at the bottom.

Handwritten text in Arabic script: "مركز من التمويل"



Table with market data including FTSE 100, Nikkei, and other indices.

Table with market data including various stock prices and indices.

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WORLD STOCK MARKETS

Table with market data including various stock prices and indices.

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Advertisement for Peregrine with the headline 'Money Talks in Asia' and 'We speak Asia's language.' Includes contact information for Hong Kong, London, and New York offices.

Table with market data including various stock prices and indices.

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NEW YORK STOCK EXCHANGE PRICES

4 pm close October 16

Main table of stock prices with columns for stock name, price, change, and volume. Includes sub-sections for various market indices and sectors.

Advertisement for Hewlett-Packard featuring the slogan 'If the business decisions are yours, the computer system should be ours.' and the HP logo.

Handwritten text at the bottom center of the page, possibly a signature or note.

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'V', 'W', 'T', 'U', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'L', 'R', 'S', 'M', 'G', 'N', 'T', 'U', and 'X-Y-Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'D', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Advertisement for 'Spain' featuring the headline 'Have your FT hand delivered in Spain' and text describing the service of delivering the Financial Times to homes and offices in Spain.

Continuation of stock price tables from the previous pages, including various market indices and individual stock listings.

Dow falls despite Carmakers mixed as bourses ease earnings reports

Profit-taking and worries about the pace of earnings growth continued to take their toll of the US equity market at mid-session...

was small in the context of the rise of more than \$10 in the personal computer maker since the start of the month...

Bre-X Minerals tumbled \$33 to \$319.95 as questions became more insistent about the ownership of its gold rich Indonesian discovery...

Mixed views on carmakers, country by country, left German equities more resilient to the Dow than their French counterparts...

At the end of the French rebate scheme which boosted new car sales earlier this year, falling FF14, or 2.4 per cent, to FF562...

FTSE Actuaries Share Indices THE EUROPEAN SERIES Oct 16 Study changes Open 10.30 11.00 12.00 13.00 14.00 15.00 Close...

MILAN drifted as worries over European monetary union left bonds and the lira weaker. The Comit index lost 1.62 to 619.54...

expiry of a put warrant in December and rose BFR65 to BFR2,470. UCB, the drugs group, rose BFR1,300 to BFR64,400...

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES Table with columns for Market, No. of stocks, Dollar terms, Local currency terms, and percentage changes.

Talk in MANILA that the Filipino government would soon make a public offer of its 30 per cent stake in Manila Electric (Meralco) pushed Meralco A shares up by 4 pesos to 104 pesos...

rose by 1.85 to 1,462.49. Traders noted an influx of money from US mutual funds, but said domestic investors had started to retreat from the buy side...

Japan's largest retail chain operator, resisted the negative effects of the previous day's announcement of a 49 per cent decline in half-year earnings to remain at ¥1,060...

added 83.76 to 21,921.77 in volume of 15.7m shares. TAIPEI dropped as the market's recent inability to break resistance opened a late floodgate of profit-taking...

Won700 to Won20,600, and Nason Industries gained Won1,600 to its upper limit of Won28,600.

Dhaka looked braced to test record territory again yesterday as retail buying revived after the market's short and sharp 10 per cent correction earlier this week...

investing in 45 loss-making companies. Two days of panic selling followed, pulling the market down 10 per cent to skirl 1,800 by Monday...

The Topix index of all first-section stocks fell 0.96 to 1,600.90, and the capital-weighted Nikkei 300 by 0.22 to 900.35...

profit-taking, a weak read and worries about Wall Street left Johannesburg lower. The overall index fell 50.2 to 7,022.9...

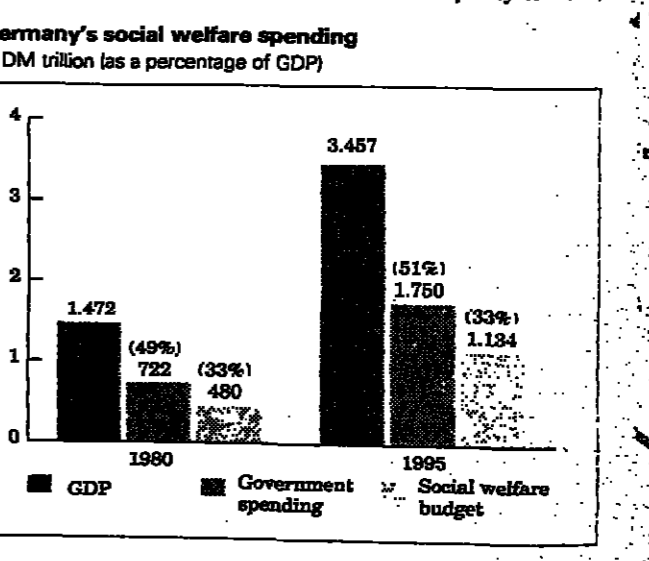
AND WHILE certain items in the social welfare budget do not affect many people, others have an impact on large sections of the population. In terms of the number of beneficiaries and the scale of expenditure that is required...

However, the need to restructure the social welfare budget should not be allowed to obscure the fact that maintaining the social safety net entails not only economic costs but benefits as well...

FT/S&P ACTUARIES WORLD INDICES Table with columns for NATIONAL AND REGIONAL HEADLINES, FT/S&P ACTUARIES WORLD INDICES, and DOLLAR INDEX.

VIEWPOINT Commerzbank's focus on German and European economic issues 10/96

Germany's austerity package: removing the taboos. The German federal government's recent austerity package will not only lower the fiscal deficit but also reduce labour costs considerably in an effort to promote economic growth and job creation...



SOCIAL WELFARE PAYMENTS represent half of all spending by Germany's federal, state and local governments. The other major items are debt service and outlays for the public administration, education and defence...

COMMERZBANK logo and text: German know-how in global finance

Large advertisement for Thomson, featuring the text 'Thomson's jump as rise 2.6%' and an image of a person's face.

Small advertisement for 'مركز التمويل' (Financial Center) with Arabic text.